

Ministers axed clean energy rule from gas loan scheme at last minute

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A scheme designed to help businesses get off gas will subsidise them to use coal, diesel or LPG instead – if they wish



Officials recommended borrowers be required to switch to clean energy sources, but three ministers met at the last minute to axe that rule. Photo composite: Marc Daalder

After months of work on a plan to underwrite bank loans to help businesses get off gas, ministers removed a requirement from the programme that borrowers turn to clean energy sources just five days before it was announced.

The decision to allow applicants for the Gas Transition Loan scheme to convert to burning LPG, diesel or coal came despite officials and banks backing the clean energy rule, Budget documents reveal.

By the time ministers announced the scheme on May 25, just days before the Budget, there was no mention of a requirement to use lower-emissions fuels. The scheme officially opened for applications at the end of July.

Caitlin Owers, spokesperson for WWF New Zealand, said the Government's decision to allow borrowers to use the loans to install new coal- or LPG-burning equipment was wrongheaded.

"Getting businesses off gas is a good thing, but in the midst of a climate crisis taxpayers shouldn't be supporting businesses to switch to higher-emissions fuels such as coal. What's extraordinary is that this risk was identified during the scheme's

development, and the major banks pushed for a decarbonisation focus," she said.

"Aotearoa New Zealand needs to be rapidly transitioning away from fossil fuels in line with our international commitments – and the Government needs to explain why it chose to remove, at the last minute, a provision that would have ensured taxpayer-backed finance was supporting that transition."

A spokesperson for Energy Minister Simeon Brown said banks weren't consulted on the change, but it had prompted no adverse feedback from them.

"New Zealand's natural gas reserves are rapidly dwindling. Ministers agreed that the Gas Transition Loan Guarantee Scheme should be fuel and technology agnostic because the point of it is not to dictate to businesses which fuel they should use, it is to support them in reducing their gas use while maintaining their production. This will help free up gas for businesses and other users that have fewer alternatives," the spokesperson said.

Documents released under the Official Information Act and proactively published by the Treasury last week show the clean energy requirement edict was part of the proposal from the very start.

In January, officials from the Treasury, the business ministry and the Energy Efficiency and Conservation Authority met to hash out the high-level details of the scheme. A record of that meeting shows the authority's representatives advised "excluding fuel-switching projects from gas to a more emissions-intensive fuel source as this delays, rather than solves, the issue of fuel security for the business".

That messaging was picked up in a Treasury briefing to Finance Minister Nicola Willis in February.

"We recommend a technology-agnostic approach, provided projects meet the minimum gas-reduction threshold. However, we would suggest switching projects that move from gas to a more emissions-intensive fuel source (for example, coal)

be excluded to ensure the scheme is underpinned by a decarbonisation lens. This reflects stakeholder feedback, including from banks,” officials wrote.

“Aligning the scheme with the Green Loan Principles could also provide material benefits. Many banks already offer discounted green loans to businesses and have advised that these could be stacked with the loan guarantee, increasing the effective level of support and improving scheme uptake without increasing fiscal cost. To ensure eligibility for green-loan discounts, the scheme would need to exclude switching to more emissions-intensive fuel sources as per the paragraph above.”

Three months later, ministers were preparing to meet to sign off on the final details of the scheme. On May 18, a Treasury briefing noted the clean energy rule was still part of the scheme and that removing it would affect the estimated climate impact of the Budget.

“Banks and other stakeholders supported a technology-agnostic approach but suggested excluding switches to more emissions-intensive fuels (e.g. coal) to maintain a clear decarbonisation focus. Banks also noted that this could support alignment with the Green Loan Principles, allowing discounted green loans to be stacked with the guarantee and thereby increasing overall impact without additional fiscal cost,” officials reiterated.

“We note that any change in approach would have an impact on the estimated cumulative emissions impact of the Budget package. Currently, this initiative is one of two initiatives in the package expected to reduce emissions in the short term.”

A week later, Willis, Brown and Resources Minister Shane Jones joined Prime Minister Christopher Luxon at his weekly post-Cabinet press conference to announce the scheme. Brown used the post-Cabinet pulpit to draw attention to new figures showing declining gas reserves – a Newsroom analysis of that data found it revealed [gas producers had overstated the size of their reserves](#).

Brown was asked whether the scheme would be restricted to just allow borrowers to transition to renewables or to all forms of energy.

“Yes, it’ll be agnostic in terms of the type of fuel or type of energy to transition. This is about making sure we can shore up New Zealand industry and businesses with rapidly dwindling natural gas. And so, for example, as Shane said, this could be a business which transitions to geothermal, it could be to electricity, it could be to put solar or other types of generation on the business,” he said.

So the scheme didn’t incentivise it to be cleaner energy?

“No, it doesn’t.”

What happened in the week between the Treasury briefing on May 18 and the announcement on May 25?

A June briefing to Willis sheds light on the behind-the-scenes alterations.

“On 20 May, you met with Minister Brown and Minister Jones to discuss the Gas Transition Loan Guarantee Scheme and made final decisions on the scheme’s design,” officials wrote.

Those decisions included that “a technology-agnostic approach best supports the scheme’s core objectives. It avoids constraining viable transitions away from reticulated gas, particularly where lower-emissions alternatives may not be technically or commercially feasible for some firms.”

In other words, ministers had met to approve the final scheme and at that late stage removed the clean energy requirement.

This change would lead to an additional 131,000 tonnes of climate pollution emitted over the next 25 years as some gas users turned to LPG instead of cleaner energy sources, the authority found.

Gas savings were also expected to be lower than had been suggested when the scheme was announced – gas use would be reduced by 4.4 to 7.2 petajoules per year, rather than the previously thought 6.5 to 10 petajoules. It’s not clear what the cause of this change was and whether it was linked to removing the clean energy rule.

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