The Treasury

Budget 2026 Information Release

September 2026

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[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Gas Transition Loan Guarantee Scheme: Updated Delegation

Date:	11 June 2026	Report No:	T2026/1098
		File Number:	SH-11-5-1-2-2-1-M139319

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Sign, date** and have **witnessed** the attached Delegation Instrument.	19 June 2026

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Isabelle Hermes	Senior Analyst, Climate Energy and Resources	[39]	[35]	✓
John Marney	Manager, Revenue and Economic Development			

Minister's Office actions (if required)

Return the signed report and the signed, witnessed and dated Delegation Instrument to Treasury.

Refer the report to the Ministers for Energy and Resources.

Note any feedback on the quality of the report	

Enclosure: Yes (attached) – Delegation Instrument

Treasury Report: Gas Transition Loan Guarantee Scheme: Updated Delegation

Purpose

1. This report seeks your agreement to sign an updated Delegation Instrument, reflecting final decisions taken on the Scheme's Key Terms.

Background

2. Before issuing an indemnity under section 65ZD of the Public Finance Act 1989, you must be satisfied it appears "necessary or expedient in the public interest".

3. On 20 May, you met with Minister Brown and Minister Jones to discuss the Gas Transition Loan Guarantee Scheme (the Scheme) and made final decisions on the Scheme's design. In doing so, you considered whether the Scheme meets the public interest test.

4. The Scheme was announced on 25 May 2026. To implement the Scheme, including preparation and execution of the deeds of indemnity, Treasury requires an updated Delegation Instrument that reflects your final decisions on the Scheme design.

Changes to the Key Terms and public interest considerations

5. You broadly agreed with Treasury's recommendations on the Scheme design (T2026/978). Changes to the Key Terms were limited and reflect your assessment of what is necessary or expedient in the public interest. In particular, you considered that:

    - Lowering the minimum gas threshold to 1,000 GJ would better serve the public interest by broadening access to the Scheme. This enables a wider range of firms to participate, increasing the potential reach and overall impact of the intervention.

    - Increasing the maximum borrower limit to $50 million would better support the public interest by enabling participation from larger gas users with higher financing needs. These users are likely to deliver proportionately greater reductions in gas demand, increasing the overall effectiveness of the Scheme.

    - 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.

Updated modelling

6. The Energy Efficiency and Conservation Authority (EECA) has updated its modelling to reflect your final decisions on the scheme's Key Terms. The overall conclusion on climate impact is unchanged – the scheme has the potential to support additional emissions reductions. Moreover, the expanded eligibility may increase the scale of these reductions relative to earlier estimates.

7. EECA's updated modelling also revises the expected PJ savings. EECA's new estimates are lower than those previously provided to you and referenced in the press release. EECA's prior estimate of 6.5-10 PJ has been updated to 4.4-7.2 PJ.

8. EECA will provide further detail on the updated modelling to the Minister of Energy this week, which will be forwarded to your office.

Next steps

9. Treasury is working with EECA, the Ministry of Business, Innovation and Employment, the New Zealand Banking Association and banks to implement the Scheme. We are targeting a 31 July 2026 launch. We will provide a further update ahead of launch, including participating banks and the proposed communications approach.

Recommended actions

We recommend that you:

a **sign** the attached delegation to the Secretary to the Treasury, delegating authority to implement the Scheme, execute deeds of indemnity, and carry out associated responsibilities.

Yes/No

b **refer** this report to the Minister of Energy and the Minister for Resources.

Refer/not referred

John Marney
Manager, Revenue and Economic Development

Hon Nicola Willis
Minister of Finance

_____/_____/_______

DELEGATION BY THE MINISTER OF FINANCE TO THE SECRETARY TO THE TREASURY – GAS TRANSITION LOAN GUARANTEE SCHEME

Date: ________ June 2026

From: Minister of Finance

To: The Secretary to the Treasury

GAS TRANSITION LOAN GUARANTEE SCHEME

1. Background

I, the Honourable Nicola Willis, **Minister of Finance**, exercising my power under section 65ZD of the Public Finance Act 1989 have agreed to provide indemnities to banks under the Gas Transition Loan Guarantee Scheme (**Scheme**). The Scheme is intended to enable lenders to provide lower interest rates and offer more flexible loan terms on loans provided to eligible New Zealand businesses (**Supported Loans**).

This Delegation is intended to provide the **Secretary to the Treasury** (and any person acting in such role from time to time) the power to enter into indemnities to lenders as part of the implementation of the Scheme, and to implement the Scheme, on the conditions set out below.

2. Key Scheme Terms

I have determined that providing indemnities to registered banks (**Lenders**) under the Scheme is expedient in the public interest under section 65ZD of the Public Finance Act 1989, on the key terms of the Scheme as listed in the Annex to this Delegation (the **Key Terms**).

Any decision to amend, alter, rescind or waive a Key Term of the Scheme must be made by me as the **Minister of Finance**. In making my decision, I will determine whether the change means that the indemnities under the Scheme are necessary and / or expedient in the public interest under section 65ZD of the Public Finance Act.

3. Delegation

Subject to paragraph 4 (Conditions), pursuant to clause 5 of Schedule 6 of the Public Service Act 2020, I, the Honourable Nicola Willis, **Minister of Finance**, delegate to the **Secretary to the Treasury** (and any person acting in such role from time to time), the authority to:

(a) implement the Scheme, and determine, amend, alter or rescind any elements of the Scheme that are not Key Terms;

(b) determine eligibility of Lenders for the Scheme;

(c) enter into deeds of indemnity consistent with the Key Terms, with Lenders that are determined to be eligible for the Scheme, pursuant to s 65ZD of the Public Finance Act 1989 (**Indemnities**) as part of the implementation of the Scheme;

(d) amend an Indemnity, provided that those changes do not alter or contradict the matters reserved to me at paragraph 2 above;

(e) manage and administer Indemnities and take any action required to give effect to the Indemnities;

(f) make any payments required under such Indemnities and pay any related expenses;

(g) determine lender limits; and

(h) calculate amounts and rates, give and receive notices, receive payments and do all other acts or things required to exercise or perform the Crown's rights and obligations under the Indemnities.

4. Condition

Any exercise of the authority delegated under paragraph 3 above must be consistent with the Key Terms, except to the extent that I (as **Minister of Finance**) have decided to amend, alter, rescind or waive that Key Term in accordance with paragraph 2 above.

5. Consent to sub-delegation

I, the Honourable Nicola Willis, **Minister of Finance**, consent to the sub-delegation by the **Secretary to the Treasury** pursuant to clause 2 of Schedule 6 of the Public Service Act 2020 of all or any of the powers delegated by me under this instrument, jointly or severally to any person or persons within the categories listed in clause 2(4) of Schedule 6 of the Public Service Act 2020 that the Secretary to the Treasury considers can appropriately exercise the delegated powers.

6. Term of delegation

The delegation will come into effect on the date of signing and will continue in force until it is revoked in writing (in full or in part).

7. Revocation

I, the Honourable Nicola Willis**, MINISTER OF FINANCE,** hereby revoke in full, on and from the date of this Delegation, the delegation instrument dated 20 May 2026 relating to the power to enter into indemnities to lenders as part of the implementation of the Scheme.

SIGNED by the **MINISTER OF FINANCE**
the Honourable Nicola Willis

____
Signature

____
Date

In the presence of:
Signature of witness

Name of witness: ______________________________

Occupation: ______________________________

Address: ______________________________

Made under the authority of the Public Service Act 2020.

ANNEX TO DELEGATION BY THE MINISTER OF FINANCE TO THE SECRETARY TO THE TREASURY – GAS TRANSITION PROVIDER LOAN GUARANTEE SCHEME

KEY TERMS

The Key Terms of the Scheme are:

Beneficiaries under the Scheme	The Crown would provide indemnities to registered banks (the Lenders) to support businesses (Borrowers) to invest in transitioning away from natural gas or reducing natural gas consumption.
Project eligibility	Fuel switching or efficiency projects including associated costs that are expected to achieve a minimum gas reduction of at least 15%, where that reduction is not the result of decreased production or output.
Eligibility criteria	Borrower must be a current user of New Zealand reticulated natural gas with annual gas consumption of at least 1,000 GJ p.a.
	Lenders will apply their Supported Loan Policies, Practices and Processes when assessing eligibility of Borrowers.
Maximum borrower limit	Maximum value of Supported Loans per borrower is $50 million of new lending.
Maximum scheme size	The maximum aggregate value of all Supported Loans under the Scheme is $1.2 billion.
Maximum lender limit	To be determined by Treasury and allocated to participating lenders.
Crown guarantee	Indemnity covers 80% of each Supported Loan.
Availability period	The Scheme would be available for a period of 3 years.
Maximum Tenor	Loans could be repaid over a period of up to 10 years.
Type of financing	The Scheme must be limited to new investment only.
Benefit pass-through	The Scheme will have a general requirement for lenders to pass on lower interest rates, reflective of the benefit provided by the indemnity. The indemnity should complement, rather than replace existing green lending products.

Climate Implications of Policy Assessment: Disclosure Sheet

Note: this document presents a condensed version of a more detailed disclosure sheet.

This disclosure sheet provides the responsible department's best estimate of the greenhouse gas emissions impacts for New Zealand that would arise from the implementation of the policy proposal or option described below. It has been prepared to help inform Cabinet decisions about this policy. It is broken down by periods that align with New Zealand's emissions budgets.

Section 1: General information

General information	
Name/title of policy proposal or policy option:	Supporting the fuel switching of commercial and industrial gas users through a loan guarantee scheme
Agency responsible for the Cabinet paper:	The Treasury, CIPA assessment led by the Energy Efficiency & Conservation Authority
Date finalised:	08 June 2026
Short description of the policy proposal:	Proposal to provide Government loan guarantees to private lenders (e.g. banks) funding energy efficiency and fuel switching projects.

Section 2: Greenhouse gas emission impacts

Estimation of the direct emissions impact of the programme shows a significant reduction in emissions from reduced gas usage in industry, with a small offsetting increase in emissions from additional electricity consumption (in adopting energy efficiency and fuel switching technologies).

Total direct impacts given in Table 1 add up to a reduction of 2.2 million tonnes of CO2 equivalent, which is expected to provide a modest enhancement to the emissions reduction policies proposed in ERP2 for EB2 and EB3.[1]

[1] https://environment.govt.nz/assets/publications/climate-change/ERP2/New-Zealands-second-emissions-reduction-plan-Amended-January-2026.pdf, Figure 0.5 on page 8.

Table 1: Direct emissions impact (Central uptake case)

	Changes in greenhouse gas emissions in tonnes of carbon dioxide equivalent (CO_2-e)						
Sector & source	**2022–25**	**2026–30**	**2031–35**	**2036–40**	**2041–45**	**2046–50**	**Cumulative impact**
Electricity	0	23,140	37,327	15,280	0	0	75,476
Transport							
Industry		-653,508	-1,138,518	-485,010			-2,277,036
Waste							
Agriculture							
Land use, land use change and forestry							
Total	0	-630,369	-1,101,191	-469,730	0	0	-2,201,290

Estimation of the indirect emissions impacts of the programme shows a significant offsetting increase in emissions, arising from combustion in boilers, and production of industrial chemicals (net 1.1 million tonnes of CO2 equivalent). These results are highly sensitive to assumptions and should be treated as indicative only.

Combining the direct and indirect impacts gives a reduced but still significant net reduction in overall emissions (1.1 million tonnes of CO2 equivalent, which represents approximately 5.2% of the total emissions reduction policies proposed in ERP2 for EB2 and EB3). Noting the uncertainty in estimation of indirect emissions, it is likely that actual overall net impacts would be a larger or smaller net reduction in emissions than stated below. Further, this modelling does not account for the function of the Emissions Trading Scheme and the potential for increased activity in the rest of the covered sector.

Table 2: Combined Direct and Indirect emissions impact

	Changes in greenhouse gas emissions in tonnes of carbon dioxide equivalent (CO_2-e)						
Sector & source	**2022–25**	**2026–30**	**2031–35**	**2036–40**	**2041–45**	**2046–50**	**Cumulative impact**
Electricity	0	-25,415	-11,227	15,280	0	0	-21,362
Transport							
Industry		-330,465	-538,997	-208,532			-1,077,994
Waste							

	Changes in greenhouse gas emissions in tonnes of carbon dioxide equivalent (CO_2-e)						
Sector & source	**2022–25**	**2026–30**	**2031–35**	**2036–40**	**2041–45**	**2046–50**	**Cumulative impact**
Agriculture							
Land use, land use change and forestry							
Total	0	-355,880	-550,224	-193,252	0	0	-1,099,356

These estimates are driven by projected uptake of finance to progress energy efficiency and fuel switching projects. The potential for these projects has been identified by EECA's Regional Energy Transition Accelerator (RETA) dataset which covers approximately 87% of business gas usage in NZ. The pool of potential projects has been filtered to exclude those that would fall outside the proposed funding criteria (specifically >$50m per borrower).

Changes in the final programme design

- The increase in maximum borrower threshold from $20m to $50m had a minimal impact on the emissions impact model. A small number of extra projects were enabled, however the 'per borrower' limit effectively counteracts this by limiting assumed maximum borrowing for businesses with multiple sites.
- The analysis has been broadened to include 50 additional small industrials that fell outside the RETA dataset.[2]
- The reduction of the participation threshold from 5,000 GJ per year to 1,000 GJ per year is assumed to widen eligibility to approximately 1900 additional large commercial businesses[3] that fell outside the original programme scope. These are assumed to have similar demand reduction and fuel-switching opportunities to those businesses already in the RETA dataset. This change is the primary reason for the increase in the pool of eligible projects, and the resulting increase in projected emissions reductions. There is some uncertainty about these assumptions due to a lack of detailed gas market data (relative to the RETA dataset and the electricity industry data).
- The programme has been altered to allow the scheme to support lending for switching to higher emissions fuels. The model has been adapted to allow for fuel switching to LPG where the additional cost of LPG would be smaller than the net costs of switching to a lower emissions fuel (for example when capital cost is high (e.g. Biomass boilers) and/or fuel cost is high (e.g. for Electrode boilers). The results of this approach are highly sensitive to assumptions about the relative prices of fuels, however a full range of eligible fuel switching projects (by gas reduction volume) that could choose LPG is between 0 and 11%, while the range of plausible scenarios gives a band of between 4% and 6% of total fuel switching gas reduction volume that could plausibly switch to LPG. A midpoint estimate of 5% of total

[2] The RETA dataset identifies 245 industrial sites, while GIC data https://www.gasindustry.co.nz/the-industry/using-gas/ suggests a total of 300 industrial gas users. MBIE energy data (https://www.mbie.govt.nz/assets/Data-Files/Energy/nz-energy-quarterly-and-energy-in-nz/gas-quarterly-webtable-december-2025.xlsx) gives total industrial gas consumption for energy in 2025 as 40.61 PJ

[3] This is based on GIC data suggesting 16,000 commercial gas users (5,000 large and 11,000 small), and MBIE energy data https://www.mbie.govt.nz/assets/Data-Files/Energy/nz-energy-quarterly-and-energy-in-nz/gas-quarterly-webtable-december-2025.xlsx which shows total commercial gas use as 6.9 PJ in 2025. The distribution of these users is unknown, this was estimated using an inverse exponential function, which gives an estimate of 2000 gas users with gas consumption greater than 1000 GJ per year, of which approximately 100 are already in the RETA dataset.

fuel switching gas reduction volume is assumed to shift to LPG, with attendant emissions increases of 131,000 tonnes over the modelled period (which reduce the modelled direct emissions reductions).

- Diesel is more costly than LPG but has a similar per GJ emissions impact so can largely be considered included in this analysis.
- Switching to coal, while permitted under the scheme design faces several challenges, and due to this is expected to have minimal uptake within the scheme:
    - Current regulations prohibit the consenting of new coal boilers,
    - New coal boilers have high capital costs,
    - Many gas sites will face practical challenges with moving to solid fuels.
    - Sites that can overcome capital costs and practical issues will have biomass as an option.

Table 3: Eligible projects

	Energy efficiency eligible projects	Fuel switching eligible projects	Total
Capex ($M)	$733	$2,912	$3,645
Gas reduction (PJ)	6.105	15.818	21.9
Electricity increase (PJ)	0.386 [4]	2.843[5]	3.2
Biomass increase (kilotonnes)	-	649	649
LPG increase (PJ)		0.791	0.8

Table 4: Assumptions on scheme uptake and funding needed

Scenario	Project conversion (% of eligible pool)	% of loan guarantee funding limit allocated	Funding needed ($M)	Reduction in gas usage (PJ per year) attributable to the scheme[6]
Low	15%	46%	547	3.3
Central	20%	61%	729	4.4

[4] This figure represents electricity used in heat pumps where the projects reduce gas demand but do not replace gas completely.

[5] This figure represents a mix of electricity used in heat pumps and electrode boilers where the combined projects on a site lead to full replacement of gas as a fuel

[6] These figures have been updated since the numbers communicated to the Minister's office on 25 May 2026 when the scheme was announced. The LGS guarantees 80% of the value of loans made, the amount of gas reduction attributed to the scheme in the CIPA analysis cover the full loan amount, which we consider to be the additional impact of the specific intervention. The actual physical impacts could be higher based on the full project value, assuming that lending covered by the LGS does not cover the full cost of the project (a percentage of project costs could be funded directly by businesses and/or through private lending). Further differences arise from the design changes that enable broader access to the scheme for smaller gas users, which have a higher average cost per GJ than the pool of larger industrials.

Funding limit	33%	100%	1,200	7.2

In estimating indirect emissions, we assume that 'freed up' gas is still used. We modelled a number of scenarios about how this gas is used, and the figures in Table 2 reflect our 'central' scenario for freed up gas below:

Table 5: Utilization of freed up gas

'Central' scenario		
Usage	**Percentage of freed up gas used**	**Percentage of alternative fuel displaced**
Combustion	70%	20% replaces Diesel,20% replaces LPG, 60% additional
Urea production	30%	50% replaces Gulf sourced urea/50% Chinese sourced
Methanol production	0%	Methanex assumed to close[7]
Power generation	35% (1 year out of 5, in place of urea and combustion)	100% replaces coal

The below table summarises emissions impacts under different scheme uptake scenarios.

Table 6: Emissions reductions under each scenario (excluding offshore emissions)

Total (tco2-e)	**Project conversion (% of eligible pool)**	**Direct emissions impacts**	**Indirect (inside NDC)**	**Combined (inside NDC)**
Low	15%	-1,749,624	826,450	-923,174
Central	20%	-2,201,290	1,101,934	-1,099,356
Funding limit	33%	-3,745,724	1,812,681	-1,933,043

Relevant ERP2 policies

- Responding to broader affordability and security challenges
- The role of gas in an affordable, low emissions energy system

[7] The projected closure of the Maui gas field and the subsequent announcement from Methanex that they would close once Maui ceased production was information that came to light between the original draft and the final scheme design.

Section 3: Additional information

Additional information

Section 4: Quality assurance

Quality assurance

The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements apply to this proposal. While the core objective is addressing supply and affordability challenges, and the direct and indirect emissions impacts are below CIPA's quantitative threshold, the proposal is expected to reduce emissions in a way that helps the achievement of Emissions Budget 2. This policy is consistent with other actions in Emissions Reductions Plan 2, particularly this government's focus on responding to broader affordability and security challenges and "the role of gas in an affordable, low-emissions" energy system. The emissions affected by this proposal are in the NZ Emissions Trading Scheme (ETS).

Modelling undertaken by EECA estimated the direct and indirect emissions impact of the proposal. Direct emissions impacts are reduced gas usage in the industry sector and a smaller offsetting increase from additional electricity consumption. Indirect impacts are from the increased use of the displaced natural gas elsewhere in New Zealand, including combustion in boilers and in industrial production of chemicals.

In the central scenario in which 20% of projects in the eligible pool are converted, the net emissions impact is -0.35 MtCO2e in EB2, -0.55 in EB3, and -0.19 in EB4. This would help the achievement of Emissions Budget 2, with MfE's central projection currently 4 MtCO2e under the budget. A less likely scenario with maximum lending taken up and project conversion rates of 33% could see net emissions reductions around -1.93 MtCO2e across EB2, EB3, and EB4, indicating an upside opportunity for more emissions reductions.

The emissions affected by this proposal are in the NZ Emissions Trading Scheme, however the modelling analysis does not include any impacts arising from changes in the demand or supply of Emissions Trading Scheme units. In the long run, we expect the Emissions Trading Scheme cap to be the key driver of emissions covered by the scheme.