# The Treasury

## Budget 2026 Information Release

## September 2026

This document has been proactively released and is available on:

- The Budget website from September 2026 to May 2027 only at: **https://budget.govt.nz/information-release/2026**, and on
- The Treasury website from later in 2026 at: **https://www.treasury.govt.nz/publications/budgets/budget-2026-information-release**

### Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

[1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government

[4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit

[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

[14] 7(a)(iii) - to avoid prejudice to the security or defence of Tokelau

[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

[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

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

## Copyright and Licensing



## Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

TE TAI ŌHANGA
THE TREASURY

# Treasury Report: Gas Transition Loan Guarantee Scheme - Further design considerations

| | | | |
|---|---|---|---|
| **Date:** | 16 April 2026 | **Report No:** | T2026/748 |
| | | **File Number:** | SH-11-5-1-2-2-1-M136878 |

## Action sought

| | Action sought | Deadline |
|---|---|---|
| Hon Nicola Willis<br>**Minister of Finance** | **Indicate** your preferred design settings and fiscal provision for the Budget 2026 package<br>**Refer** this report to Hon Bishop for his confirmation | 20 April 2026 |
| Hon Chris Bishop<br>**Associate Minister of Finance** | **Confirm** the inclusion of this initiative in the Budget 2026 package | 27 April 2026 |

## Contact for telephone discussion (if required)

| Name | Position | Telephone | 1st Contact |
|---|---|---|---|
| Isabelle Hermes | Senior Analyst, Climate, Energy and Resources | [39] N/A (mob) | ✓ |
| John Marney | Manager, Revenue and Economic Development | N/A (mob) | |

## Minister's Office actions (if required)

**Return** the signed report to Treasury.

**Refer** the signed report to other Ministers.

| | |
|---|---|
| Note any feedback on the quality of the report | |

**Enclosure**:No

## **Treasury Report:** Gas Transition Loan Guarantee Scheme - Further design considerations

## Purpose of Report

1. This report provides further advice on whether the proposed gas transition loan guarantee scheme should set a maximum borrowing limit and a minimum gas consumption threshold, and, if so, the appropriate level at which these should be set. It also discusses the implications of adjusting these settings for the scheme's fiscal cost.

## Background

2. Treasury provided advice on the scheme's design on 26 February (T2026/221) and subsequently a draft Cabinet paper for consultation (T2026/575). This report responds to your request for further advice on minimum gas-use and borrowing limit settings.

3. Your direction on these settings will dictate the level of funding sought through Budget 2026 (effectively setting a maximum funding envelope for the scheme). However, you do not need to take final design decisions until after negotiations with banks have concluded (expected in April or May 2026).

4. You are taking a Cabinet paper on the proposed scheme to Cabinet on Monday 20 April. This paper notes that you are considering potential changes to eligibility thresholds and borrowing limits.

## Maximum borrower limit

5. Our previous advice recommended a maximum borrowing limit of $20 million per borrower. This level would support most in-scope fuel efficiency and fuel-switching projects while limiting Crown exposure to very large individual loans. Larger firms could still access up to $20 million of Crown-backed lending but would need to fund any additional investment through equity or commercial finance.

6. [37]

7. Options for setting a borrowing limit include:

- **Option 1: Maximum borrowing limit of $20 million per borrower (recommended)** – Supports most in-scope projects while limiting Crown exposure to very large loans.
- **Option 2: Higher borrowing limit (e.g. $35 million) for firms with gas usage above 300,000 GJ** – Greater support for large projects, but higher fiscal exposure to very large individual loans.
- **Option 3: No borrowing limit** – Maximises flexibility for firms but would significantly increase the Crown's fiscal exposure to very large individual loans.

## Minimum gas consumption threshold

8. Previous advice recommended limiting access to firms using at least 5,000 GJ per annum to target firms with material gas use and the greatest potential to free up gas.

9. We note that:

   a Larger businesses/projects are generally expected to deliver higher gas reductions per dollar of cost to the Crown.

   b Gas consumption is highly concentrated among a small number of large users. Lowering the threshold would mainly bring a large number of small sites into scope, with relatively little impact on total gas volumes freed up.

   c [37]

   d Broadening eligibility could materially increase administration costs for banks and the Crown (potentially beyond previous guarantee schemes, e.g. the Business Finance Guarantee Scheme supported c. 4,000 customers at its peak). It could also slow scheme delivery.

### Indicative distribution of gas users

10. The table below sets out our best estimate of the number of commercial gas connections across New Zealand and their levels of gas usage. The distribution is highly skewed: most sites sit in the lower-use bands, so removing or lowering the threshold would bring a substantially larger number of sites into scope.

11. Importantly, this data is very limited, particularly for sites below 10,000 GJ, and is not a reliable proxy for the number of businesses. Some firms may operate multiple small connections or sites.

| Annual gas usage | Indicative # of sites | Types of businesses | Impact of scheme[1] (per site) |
|---|---:|---|---|
| Below 250 GJ | 10,000 | **At 250 GJ**: Small cafe or restaurant with gas cooking and hot water, small motel/lodge using gas for water heating, hair salon or laundromat with gas water heating | **At 250 GJ**: 1 percentage point saving could reduce interest payments by around ~$1,000 per annum |
| 250 GJ to 10,000 GJ | 5,000 | **At 5,000 GJ**: Commercial laundry facility (hot water and steam generation), commercial buildings | **At 5,000 GJ**: 1 percentage point saving could reduce interest payments by around ~$24,000 per annum |
| Above 10,000 GJ | 225 | **Above 10,000 GJ**: Ranges from medium-sized food processors, breweries, and horticulture operations to large-scale industrial operations like dairy plants, steel manufacturers, and chemical producers | **At 10,000 GJ**: 1 percentage point saving could reduce interest payments by around ~$36,000 per annum |

1 Interest rate savings are calculated per site and assume both fuel efficiency and fuel switching are undertaken. Note businesses may have multiple sites, and the interest rate benefit to specific firms is expected to vary significantly based on differences in credit profile and lending terms. Firms with stronger credit ratings or more secured borrowing already face lower borrowing costs and are therefore likely to see a smaller incremental benefit from the guarantee, while firms with weaker or less secured borrowing may experience larger interest rate savings.

12. Data from the Regional Energy Transition Accelerator (RETA) programme suggests there are around 45 businesses with annual gas use between 5,000 and 10,000 GJ, and we used this information to inform earlier assumptions about scheme volume and fiscal cost. However, further interrogation has reduced our confidence in the completeness of RETA data particularly for firms below 10,000 GJ. EECA advises that RETA primarily captures fossil-fuelled stationary heat plants over 500 kW capacity, and/or sites with fossil-fuel emissions over 500 tonnes per annum (approximately 10,000 GJ). Some sites below this threshold are included where EECA is aware of them, but there are likely to be material gaps. This reduces confidence in both the number of firms in scope below 10,000 GJ and the fiscal cost for this group.

**Threshold options**

13. You could consider the following options:

- **Option 1: No minimum threshold** – Maximises reach, but materially increases scheme volume, administration costs, and fiscal exposure. In practice, banks may screen out many small borrowers, as the administrative costs are disproportionate to the loan value.

- **Option 2: Minimum threshold of 250 GJ per annum** – Broadens access while excluding very small users. However, it likely still brings in many small/low-impact projects, which may not be aligned with bank appetite.

- **Option 3: Minimum threshold of 5000 GJ per annum (recommended)** – Focuses on users with material gas exposure and projects that will deliver higher gas reductions per dollar. Project size will likely align with bank appetite.

- **Option 4: Minimum threshold of 10,000 GJ per annum** – Further tightens targeting to the larger gas users and reflects where we have greater confidence in data accuracy.

14. On balance, we recommend Option 3 (5,000 GJ). While Option 4 would increase confidence in the underlying data, we consider that the 5,000 GJ threshold strikes a better balance between targeting, and impact/reach. We expect the current fiscal provision to remain sufficient – further discussed below.

## Fiscal cost of options

15. The scheme's fiscal cost is primarily driven by the expected credit loss (ECL). The ECL reflects the Crown's exposure – the guaranteed share of expected lending under the scheme (and therefore the maximum scheme size) – and assumptions about default rates. The current provision was costed based on expected uptake under the previously recommended parameters, alongside credit risk assumptions.

16. The current Budget package includes a fiscal provision of $50 million for the ECL, which would support a maximum scheme size of up to $1.25 billion. You do not need to confirm the final scheme size at this stage; however, you will need to agree a fiscal provision through Budget decisions, which will effectively cap the maximum volume of lending that can be guaranteed. Following negotiations with banks, you could still choose to set a lower scheme size within that provision.

17. If you decide to change the parameters, you have the following choices:

    a. scale the fiscal provision to accommodate preferred design settings (recommended), or b retain the current fiscal provision (in which case demand may exceed available lending and access would likely be rationed), or

c set an alternative provision level (the maximum scheme size would be adjusted accordingly; if demand exceeds available lending, access would be rationed).

### Scale the fiscal provision to accommodate preferred design settings

18. The table below sets out the estimated Crown-guaranteed ECL under the options outlined above for the minimum gas threshold and/or the maximum borrower limit. Estimates use the previously applied uptake and credit-risk assumptions, with a 10% buffer. This would be managed within the Budget allowance.

19. These estimates are subject to significant uncertainty, given the limited data available for firms with annual gas usage below 10,000 GJ. While uptake assumptions and the 10% buffer are deliberately conservative, demand and the number of firms in scope could be higher than estimated. In practice, total fiscal exposure would remain capped by an agreed scheme limit. If demand exceeded that limit, access would need to be rationed (for example, first-come, first-served).

| **Expected Credit Loss** | | | |
|---|---|---|---|
| Options | Maximum borrower limit of $20 million (recommended) | Maximum borrower limit of $35 million for gas users >300,000 GJ | No maximum borrower limit |
| No minimum gas threshold | $95 million | $100 million | $144 million |
| Minimum gas threshold of 250 GJ | $79 million | $84 million | $127 million |
| Minimum gas threshold of 5,000 GJ (recommended) | $47 million **(recommended)** | $51 million | $95 million |
| Minimum gas threshold of 10,000 GJ | $44 million | $49 million | $93 million |

### Retain the current fiscal provision or set the provision at an alternative level

20. There is an option to broaden the scheme by removing (or adjusting) the minimum gas-use threshold and maximum borrower limit, while retaining the current $50 million fiscal provision in the Budget package. This would constrain the maximum scheme size to what can be supported within the fiscal provision.

21. Under this approach, demand may exceed the capped funding available, as more firms would become eligible for the same overall lending envelope. Access would likely be rationed through a combination of bank lending decisions and a first-come, first-served process until the cap is reached. This may undermine the policy intent by reducing the ability to prioritise lending toward firms and projects with the greatest potential to free up gas.

22. Alternatively, you could set the fiscal provision at a different level (higher or lower than the current provision). The maximum scheme size would be adjusted accordingly. If demand exceeds available lending under your preferred design and eligibility settings, access would need to be rationed.

[36]

## Recommended actions

We recommend that the **Minister of Finance**:

a **note** that your direction on the following design issues will dictate the level of funding sought through Budget 2026 (effectively setting a maximum funding envelope for the scheme). Final decisions on settings can be taken after negotiations are completed.

b **indicate** your preferred maximum borrower limit

*$20 million (recommended) / $35 million / no limit / other (please specify)* __________

c **indicate** your preferred minimum gas usage threshold

*No threshold / 250 GJ / 5,000 GJ (recommended) / 10,000GJ / other* __________

d **indicate** your preference for the fiscal provision included in the Budget process.

i. scale the fiscal provision to accommodate preferred design settings (recommended), or

*Yes/No*

ii. retain the fiscal provision of $50 million currently included in the Budget package.

*Yes/No*

iii. other (please specify) __________

e **refer** the report to the Minister for Energy and the Minister for Resources.

*Refer / not referred*

f **refer** this report to the Associate Minister of Finance, Hon Bishop, to seek his confirmation to include this initiative in the Budget 2026 package.

*Refer / not referred*

Hon Nicola Willis
**Minister of Finance**

_____/_____/_______

We recommend that the **Associate Minister of Finance (Hon Bishop)**:

a **confirm** the inclusion of this initiative in the Budget 2026 package.

*Agree / disagree*

Hon Chris Bishop
**Associate Minister of Finance**

_____/_____/_______

John Marney
**Manager, Revenue and Economic Development**