The Treasury

Budget 2026 Information Release

September 2026

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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

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Gas Transition Loan Guarantee Scheme: Final Design Decisions and Public Interest Assessment

Date:	14 May 2026	**Report No:**	T2026/978
		File Number:	SH-11-5-1-2-2-1-M138882

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Agree** to the Key Terms of the Scheme. **Agree** that it appears to you to be necessary or expedient in the public interest to provide an indemnity to banks under the Scheme. **Agree** to provide indemnities to registered banks under the Scheme pursuant to section 65ZD of the Public Finance Act. **Sign, date** and have **witnessed** the attached Delegation Instrument.	22 May 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, Regions Enterprise 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, Resources, and Climate Change.

Note any feedback on the quality of the report	

Enclosure: Yes (attached) – Delegation Instrument

Treasury Report: Gas Transition Loan Guarantee Scheme: Final Design Decisions and Public Interest Assessment

Executive summary

This report seeks your agreement to provide indemnities to registered banks under the Gas Transition Loan Guarantee Scheme (the Scheme). This would enable lenders to offer lower interest rates and more flexible terms to New Zealand businesses reducing or transitioning away from gas. Cabinet has approved $48 million to cover expected credit losses, supporting a maximum scheme size of $1.2 billion. 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”. This report provides you with analysis to support that decision.

Banks’ feedback was provided via the New Zealand Banking Association as a conduit. Each bank’s decision to participate in the Scheme remains a matter for its own independent commercial

Officials have tested a draft term sheet with banks via the New Zealand Banking Association. Banks indicated general comfort with the design, and feedback focused on a small set of parameters. Officials recommend retaining a maximum borrower limit of $20 million to manage concentration risk. Following lender feedback, we now recommend lowering the minimum gas threshold from 5,000 GJ to 2,500 GJ to widen access to the Scheme without materially increasing pressure on the $1.2 billion cap and have adjusted the Key Terms accordingly.

In the context of a faster-than-expected decline in domestic gas supply, you could consider it expedient in the public interest to provide an indemnity which is time-limited and targeted. This would support commercially viable firms to adjust, easing demand pressures and supporting energy affordability. We prefer an indemnity compared to alternatives such as grants or direct lending because it can address financing barriers while preserving commercial discipline and limits Crown exposure through risk sharing and an overall cap.

The $1.2 billion figure should read $960 million.

Key risks include fiscal costs (a contingent liability capped at $1.2 billion and expected credit losses around $48 million), potential market distortions, and uncertain uptake. We think these risks can be mitigated through scheme design, limits, and delivery via lenders.

To enable a Budget announcement, you are asked to:

- confirm final design settings
- agree the Key Terms
- agree that you consider it necessary or expedient in the public interest to provide the indemnity
- agree to provide indemnities to registered banks under section 65ZD, and
- 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.

Subject to your decisions, officials will progress final documentation with banks post-Budget and aim for the Scheme to be operational from July-August 2026.

Treasury Report: Gas Transition Loan Guarantee Scheme: Final Design Decisions and Public Interest Assessment

Purpose of Report

1. This report seeks your agreement to provide indemnities to banks under the Gas Transition Loan Guarantee Scheme to enable lenders to offer lower interest rates and more flexible terms on loans provided to eligible New Zealand businesses.

Background

2. On 20 April, you took a paper to Cabinet signalling your intention to establish the Scheme (CAB-26-MIN-0126). On 7 May, Cabinet approved $48 million of funding to cover the Scheme's expected credit losses (managed within the operating allowance).

3. Section 65ZD of the Public Finance Act 1989 empowers you to give an indemnity, if it appears to you to be 'necessary or expedient in the public interest' to do so. This report provides information to support a decision on the public interest, and requests that you delegate the power to give the indemnities under section 65ZD to the Treasury.

4. Since our most recent advice on scheme parameters (T2026/748), we have tested a draft term sheet with banks. Feedback, provided via the New Zealand Banking Association (NZBA), has informed the Key Terms of the Scheme now before you for decision. A small number of technical matters (e.g. reporting and notification requirements) remain and will be finalised through the deeds of indemnity. If you decide to provide the indemnities, we will commence detailed work with banks following the Budget announcement.

Feedback from Lenders and Advice on Design Parameters

5. We tested a draft term sheet, including the Key Terms, with banks via the NZBA. Banks indicated general comfort with the scheme design. Feedback included the following themes:

   - maximum scheme size
   - maximum borrower limit
   - minimum gas usage threshold
   - type of gas use, and
   - eligibility of participating banks.

> Banks' feedback was provided via the New Zealand Banking Association as a conduit. Each bank's decision to participate in the Scheme remains a matter for its own independent commercial assessment.

6. The following section summarises this feedback and sets out our recommendations.

Maximum scheme size

7. The $48 million provision for expected credit losses supports a maximum scheme size of $1.2 billion. This caps the total value of loans under the Scheme and limits the Crown's exposure. Banks were comfortable with this level.

Maximum borrower limit

8. Banks were generally supportive of a $20 million maximum borrower limit (i.e. the cap on total lending to any one borrower), but noted that a higher limit (e.g. $30 million) could better support multiple or larger-scale projects. They suggested allowing the Crown discretion to agree to higher limits on a case-by-case basis.

9. We do not recommend Crown discretion for case-by-case exceptions to the maximum borrower limit as this would be inconsistent with the overall approach of keeping lending decisions at arm's length from the government. It would also risk inconsistent treatment of borrowers and increase administrative complexity.

10. If you wish to adjust the maximum borrower limit, options include:

   - **increasing the limit (e.g. to $30-35 million)** – this would support larger projects but increase fiscal exposure to large individual loans. This could be limited to borrowers with very high gas usage (e.g. >300,000 GJ p.a.).

   - **no maximum borrower limit** – this would maximise flexibility but materially increase exposure to very large loans.

11. **Treasury continues to advise against increasing the maximum borrower limit.** A higher limit would materially increase concentration risk, particularly to a small number of large loans. As noted in previous advice (T2026/748), even at a $20 million limit, a small number of defaults could exhaust the expected credit loss provision.

12. The Scheme is also likely to have a more limited impact for larger borrowers, whose creditworthiness may already be close to that of the Crown, meaning any reduction in borrowing costs is likely to be modest. In addition, these firms would still benefit from the indemnity for borrowing up to the $20 million cap.

13. [36]

Minimum gas usage threshold

14. **We now recommend lowering the minimum gas threshold to 2,500 GJ p.a.** rather than the 5,000GJ p.a. threshold we had previously suggested. The threshold is the minimum annual gas use required for a borrower to be eligible for the Scheme.

15. In engagements with NZBA and member banks, stakeholders indicated there is a case for lowering the minimum gas usage threshold below 5,000 GJ p.a. For example, they suggested a threshold of 2,500 GJ p.a. to capture smaller manufacturers, while a lower threshold of 1,000 GJ p.a. could extend eligibility further (e.g. to large schools)[1]. This suggests our earlier concern about limited bank appetite for smaller loans is less binding than we expected.

16. A threshold of 2,500 GJ p.a. would represent a more modest expansion than previously considered, allowing the Scheme to reach a wider group of businesses without significantly broadening eligibility beyond the intended target group. On current assumptions, lowering the threshold to this level is unlikely to create material pressure on the scheme cap or require rationing. We have adjusted the Key Terms accordingly.

[1] We would not expect public schools to be in scope, as the scheme is intended to focus on businesses.

17. We still recommend caution about lowering the threshold further. The $48 million appropriation caps the volume of lending that can be guaranteed (a maximum of $1.2 billion), and further expansion of eligibility would increase the likelihood of demand exceeding this cap and requiring first-come-first-served rationing.

18. [36]

Type of gas use

19. Banks have queried whether the requirement for borrowers to be current users of "natural gas" includes only domestic reticulated natural gas or also liquefied petroleum gas (LPG) – bottled gas. LPG is the primary gas fuel used by firms in the South Island, whereas reticulated natural gas is only available in the North Island.[2]

20. **We recommend limiting the Scheme to reticulated natural gas users.** LPG is a globally traded commodity with prices set by international markets, and consumers are not subject to the same domestic supply challenges as apply to reticulated gas. New Zealand has been a net importer of LPG since 2018. Including LPG would not align with the Scheme's overall objectives, as LPG operates in a distinct market with relatively more stable pricing. Reducing LPG consumption would primarily lower imports rather than increase domestic gas availability. There is also no compelling policy reason to include LPG in the scope of the Scheme while excluding other alternative fuels such a diesel.

21. Note the Scheme's current costings are based solely on reticulated natural gas. Including LPG, or other fuels, could potentially crowd out support for firms using reticulated natural gas, which the Scheme was designed around given the current natural gas supply challenges. Expanding the scope of the Scheme to other fuels would also introduce additional complexities in scheme design, and further analysis of market size and potential scheme costs would need to be considered.

22. [36]

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2 Data from Energy Efficiency and Conservation Authority's Regional Energy Transition Accelerator programme indicates that a relatively small proportion of projects use LPG as the current fuel source. Of the 800 sites in scope, only 65 sites use LPG, accounting for 1.4PJ gas usage p.a. (compared to 25 PJ annually of reticulated natural gas). Of these 65 LPG sites, 51 are located in the South Island and are primarily general commercial or light manufacturing operations. These users face different challenges compared to reticulated natural gas users, who are more exposed to risks from price volatility and declining domestic gas supply.

Eligibility for banks participating in the Scheme

23. Members suggested that banks which participated in previous schemes be automatically eligible for the Scheme, enabling a faster rollout. We have reflected this in the draft term sheet. As previously agreed by you, eligibility would be limited to registered banks. Those that participated in earlier schemes could join without further due diligence, while other registered banks would need to complete onboarding, with the final determination of eligibility for the Scheme at the Treasury's discretion.

The proposed indemnity and Key Terms of the Scheme

24. The table below summarises the proposed indemnity and Key Terms we recommend for the Scheme. These are broadly consistent with those presented to Cabinet for noting, with minor updates reflecting engagement with banks. The Key Terms focus on the substantive policy design choices and core principles of the Scheme.

25. Technical matters, definitions and operational provisions would be set out in the term sheet and deeds of indemnity, and finalised through engagement with banks. This includes matters such as documentation, reporting, audits, claim and refund processes.

26. We seek delegated authority to implement the Scheme, execute deeds of indemnity, and carry out associated responsibilities. We have attached a draft delegation instrument for your signature if you agree. We will return to you on any substantive matters.

Table 1: Recommended Key Terms of the Gas Transition Loan Guarantee Scheme

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.
	Projects that switch from gas to a more emissions intensive fuel source, (e.g. coal) are excluded.
Eligibility criteria	Borrower must be a current user of New Zealand reticulated natural gas with annual gas consumption of at least 2,500 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 $20 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 guarantee. The guarantee should complement, rather than replace existing green lending products.

Assessment of risks and benefits against the public interest threshold

27. 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”. This report seeks your agreement that it appears to you to be necessary or expedient in the public interest to provide indemnities to banks under the Scheme, and a delegation of the power under section 65ZD to give the indemnities.

28. We understand that ensuring reliable and affordable energy supply is a priority for the Government, alongside avoiding unnecessary economic disruption for otherwise viable firms, workers, and communities. In that context, there is a case that targeted and time-limited intervention could support a more orderly transition, particularly where supply-side responses will take time to materialise and firms face near-term constraints.

29. Officials have previously advised that we did not see a strong case for government intervention at this stage to support widespread adjustments at the firm or industry level. However, this is a matter of judgement. If your assessment is that businesses are facing market failures or coordination challenges, then targeted support could improve efficiency during the transition or reduce the risk of sharp and disruptive adjustment across affected sectors.

30. On that basis, officials consider that you can conclude it is in the public interest to provide an indemnity to the banks on the terms set out in this report. The expected benefits of the Scheme appear to outweigh the risks, particularly when mitigations are taken into account (including scheme design features and limits on Crown exposure).

31. Further analysis on the public interest to inform your decision is provided in **Annex 1**.

Implementation and next steps

32. To enable a Budget announcement of the Scheme, you will need to take final decisions on the Key Terms. Subject to your decision to proceed, we will work with your office on communications to support a Budget announcement.

33. Post-Budget, we will work with banks to prepare the deeds of indemnity, including resolving outstanding technical matters and developing a framework for eligible investments, eligible project costs and cost allocation.

34. We seek delegated authority to implement the Scheme, execute deeds of indemnity, and carry out associated responsibilities, consistent with the Key Terms. Any substantive matters will be returned to you for decision. We expect to finalise the deeds of indemnity in July, with the Scheme operational from July/August 2026.

35. In parallel, subject to final Budget 26 decisions, Energy Efficiency and Conservation Authority (EECA) is working with Treasury and the Ministry of Business, Innovation and Employment (MBIE) to develop a package of ‘wraparound’ supports, intended to build and accelerate the pipeline of bankable or investment-ready projects, and address other non-financial barriers that businesses may face to engage with the Scheme.

36. As the contingent liability exceeds $10 million, section 65ZD(3) of the Public Finance Act 1989 requires you to present a statement to the House of Representatives as soon as practicable after the indemnities are granted. As the deeds of indemnity are executed, we will provide your office with statements of indemnity for you to sign and present to the House. Your office can liaise with the Office of the Clerk about the necessary arrangements for presenting the statement to the House.

37. NZBA and member banks have requested early indication of whether a Budget announcement is likely, to support their own communications. We seek your agreement to provide this.

Recommended actions

We recommend that you:

a **indicate** your preferred maximum borrower limit

$20 million (recommended) / $30 million / no limit / other __________

b **indicate** your preferred minimum gas usage threshold (p.a.)

No threshold / 1,000 GJ / 2,500 GJ (recommended) / 5,000GJ / other __________

c **agree** that the scope of the Scheme will not extend to LPG.

Agree/disagree

d **agree** to the Key Terms of the Scheme contained in this report. These will be updated to reflect your preferred design settings.

Agree/disagree

e **note** that under section 65ZD of the Public Finance Act 1989, the Minister of Finance may, on behalf of the Crown, give an indemnity if it appears to the Minister to be necessary or expedient in the public interest to do so.

f **agree** that it appears to you to be necessary or expedient in the public interest to provide indemnities to banks under the Scheme.

Agree/disagree

g **agree** to provide indemnities to registered banks under the Scheme pursuant to section 65ZD of the Public Finance Act.

Agree/disagree

h **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

i **note** that as the contingent liability of each indemnity is over $10.0 million, section 65ZD(3) of the Public Finance Act 1989 requires you to present as soon as practicable a statement to the House of Representatives that the indemnity has been given.

j **note** that the Treasury will provide you with the necessary statement(s) to present to the House after the deeds of indemnity have been executed.

k **agree** that, subject to appropriate confidentiality arrangements, officials should inform NZBA and member banks of whether a Budget announcement of the Scheme is likely to occur, to support NZBA to prepare their own communications.

Agree/disagree

l **refer** this report to the Minister of Energy, the Minister for Resources, and the Minister of Climate Change.

Refer/not referred

John Marney
Manager, Revenue and Economic Development

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Annex 1 – Assessment against the Public Interest Threshold

[Legally privileged] Your power under section 65ZD of the Public Finance Act 1989 to give an indemnity on behalf of the Crown

1. The Gas Transition Loan Guarantee Scheme (the Scheme) is intended to be legally binding and, if you decide to proceed, will result in a commitment by the Crown to indemnify registered banks under the Scheme in accordance with its terms. Subject to your agreement to delegate authority, this commitment would be effected through the execution of the Scheme documentation by the Treasury, rather than by the Minister directly.

2. Section 65ZD of the Public Finance Act 1989 (the Act) empowers you, as the Minister responsible for the administration of the Act, to give an indemnity to a person, organisation or government if it appears to you to be 'necessary or expedient in the public interest' to do so, and to give such an indemnity on any terms and conditions that you think fit.

3. 65ZG of the Act provides that any money paid by the Crown under a guarantee or indemnity given under section 65ZD, and any expenses incurred by the Crown in relation to the guarantee or indemnity may be incurred without further appropriation, and must be paid without further authority.

4. This report seeks a decision on whether you are satisfied that it is necessary or expedient in the public interest to provide indemnities to banks as described in the Key Terms, and a delegation of the power under section 65ZD to the Secretary to the Treasury (or sub-delegate) to provide those indemnities.

5. The following paragraphs set out factors that officials consider are relevant to that assessment. You may decide to ignore these factors, or take into account other factors you consider relevant, and you may give such weight to the factors referred to below as you deem fit. You should make an independent decision and are not bound to accept the assessment below.

Officials' assessment that providing indemnities to banks in the Key Terms is 'necessary or expedient in the public interest'

Public interest

6. The Act does not define 'the public interest'. However, it is generally accepted that the public interest is broadly equivalent to the concept of the public good and can cover a wide range of values and principles relating to the public good, or what is in the best interests of society. In the context of the Public Finance Act 1989, the public interest should be viewed in a New Zealand context, that is, in the interest of the New Zealand public.

Necessary or expedient

7. The words 'necessary or expedient' take their ordinary meaning, and the word 'expedient' as an alternative to 'necessary' – 'expedient; meaning, 'fitting, suitable, desirable or convenient' – conveys a relatively lower threshold.

8. New Zealand's domestic natural gas supply is declining faster than expected, with some gas-using firms already facing higher costs and operational pressures. Ensuring reliable and affordable energy is a priority for the Government. While officials generally prefer market-led outcomes, there may be a case for targeted intervention where this supports coordination, improves efficiency during transition, or reduces the risk of a sharp and disruptive adjustment.

9. In this context, we consider the "expedient" threshold is more applicable than "necessary". Supply-side responses are underway but will take time to take effect, creating a near-term transition challenge. It could be expedient to support timely firm-level adjustment and reduce the risk of avoidable economic disruption.

Benefits

10. Supporting businesses to reduce natural gas demand could deliver wider economic benefits that may not be fully realised through private investment alone. In particular, enabling industrial users to transition or improve efficiency could ease demand pressures and support energy affordability. This could free up natural gas supply that can be used to maintain security of electricity supply by providing flexible, dispatchable fuel to meet demand during periods when intermittent renewable energy is constrained.

11. The Scheme is intended to support commercially viable businesses to undertake new investment to reduce gas use or transition to alternatives, allowing gas to be reallocated to harder-to-abate users.

12. An indemnity in the form proposed can address financing barriers – such as interest costs and uncertainty – by improving access to finance and lowering borrowing costs, while retaining lenders' commercial discipline and limiting Crown exposure relative to direct funding.

13. The design targets support where it is most needed and maintains additionality, including by limiting support to new investment and complementing existing green lending products.

Assessment of possible effects on climate change of decisions sought

14. Under section 5ZN of the Climate Change Response Act 2002 (CCRA) a Minister is permitted, but not legally required, to consider the climate implications of their decision to grant an indemnity under section 65ZD. The comments in paragraphs **15 – 19** below do not mean that climate implications need to be a controlling consideration. The Minister has the ultimate discretion to weigh the various considerations in play, as long as the overall decision is necessary or expedient in the public interest and strikes a reasonable balance between the policy considerations.

15. [36]

16. An assessment of climate implications (CIPA) was presented alongside the Cabinet paper you took to Cabinet on 20 April. While the core objective of the Scheme is addressing supply and affordability challenges, the proposal is expected to reduce emissions in a way that helps achieve Emissions Budget 2 (EB2). This policy is consistent with other actions in Emissions Reductions Plan 2, particularly the government's focus on responding to broader affordability and security challenges and "the role of gas in an affordable, low-emissions" energy system.

17. Modelling undertaken by the Energy Efficiency and Conservation Authority (EECA) estimated the direct and indirect emissions impacts of the proposal. Direct emissions impacts arise from reduced gas consumption in the industrial sector, partially offset by increased electricity use. Indirect impacts reflect the use of displaced gas elsewhere in New Zealand, including in boilers and industrial processes. The scheme design also explicitly excludes projects that would result in substitution towards more emissions-intensive energy sources, reducing the risk that the Scheme increases direct emissions, notwithstanding any broader system effects.

18. In the central scenario, where 20% of projects in the eligible pool are converted, the Scheme is estimated to reduce emissions by around 0.25 $MtCO_2e$ in EB2, 0.37 $MtCO_2e$ in Emissions Budget 3, and 0.11 $MtCO_2e$ in Emissions Budget 4. Higher uptake scenarios (e.g. 35% conversion) could result in larger reductions across these budget periods. This suggests the Scheme could contribute to earlier emissions reductions, supporting achievement of EB2, noting the Ministry for the Environment's 2025 central projection projected over-achievement by around 4 $MtCO_2e$. The Scheme is also aligned with achievement of New Zealand's longer term 2050 target.

19. The emissions affected by the Scheme are covered by the Emissions Trading Scheme (ETS). As a result, reductions in emissions from supported projects may be offset by higher emissions elsewhere within the cap (the "waterbed" effect), which could reduce the additionality of the Scheme in terms of total emissions over time.

[36]

[36]

Risks and mitigations

24. There are a range of risks associated with the Scheme (T2025/2972 and T2026/221 refer). These are partly mitigated through design features, including risk-sharing (with lenders retaining 20% exposure) and delivery via a delegated model, which preserves commercial incentives. EECA wraparound support may further mitigate the risk of low uptake by helping to build a pipeline of eligible projects.

25. The Scheme also gives rise to fiscal costs and risks. This includes a contingent liability capped at $1.2 billion and an associated expected credit loss (ECL) of around $48 million. The cap limits the Crown's maximum exposure and helps manage fiscal risk, while the ECL reflects the expected cost of claims under the Scheme. This represents an opportunity cost, as these resources could otherwise be used for other priorities or to reduce debt. Actual fiscal impacts will depend on uptake, borrower performance, and wider economic conditions, with the potential for costs to vary from current estimates.

Alternatives to an indemnity/guarantee

26. On balance, we consider that the Scheme is preferable to alternative options that could deliver your policy objectives, such as direct lending or grants. While direct funding could deliver greater or more certain uptake, it would likely involve higher fiscal cost and a greater risk of crowding out private investment. By contrast, a delegated scheme promotes commercial discipline and is less distortionary, while still targeting interest cost barriers to gas transition investments.

Assessment of risks and benefits against the public interest threshold

27. We understand that ensuring reliable and affordable energy supply is a priority for the Government, alongside avoiding unnecessary economic disruption for otherwise viable firms, workers, and communities. In that context, there is a case that targeted and time-limited intervention could support a more orderly transition, particularly where supply-side responses will take time to materialise and firms face near-term constraints.

28. Officials have previously advised that we did not see a strong case for government intervention at this stage to support widespread adjustments at the firm or industry level. However, this is a matter of judgement. If your assessment is that businesses are facing market failures or coordination challenges, then targeted support could improve efficiency during the transition or reduce the risk of sharp and disruptive adjustment across affected sectors.

29. On that basis, officials consider that you can conclude it is in the public interest to provide an indemnity to the banks on the terms set out in this report. The expected benefits of the Scheme appear to outweigh the risks, particularly when mitigations are taken into account (including scheme design features and limits on Crown exposure).

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

Date: ________ May 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).

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.
	Projects that switch from gas to a more emissions intensive fuel source, (e.g. coal) are excluded.
Eligibility criteria	Borrower must be a current user of New Zealand reticulated natural gas with annual gas consumption of at least 2,500 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 $20 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.