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Leading the charge: A director's guide to energy transition

Chapter Zero New Zealand and Dentons

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Chapter Zero New Zealand
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Introduction

Chapter Zero New Zealand

The choices we make today will shape New Zealand's energy future. For directors, the global shift toward a decarbonised energy future is no longer abstract; it's a governance priority demanding immediate attention. The energy transition touches every aspect of organisational stewardship, from strategy and capital allocation to equity, resilience and long-term value creation.

Between 2022 and 2023 gross emissions in New Zealand fell by 2%, largely due to reduced livestock numbers and strong hydroelectric generation. New Zealand's gross emissions remain 13% above 1990 levels, unlike many other developed countries where emissions have fallen below 1990 levels. Agriculture and energy account for over 90% of emissions, underscoring the challenge ahead for meaningful, sustained reduction. This entrenched contribution highlights the urgency for boardroom engagement.

This guide aims to support directors to exercise informed, strategic oversight of the energy transition by providing governance-focused insights, legal context, and practical considerations. It encourages boards to think critically about investment, risk, and resilience as the energy system evolves.

There are real-world illustrations of disciplined approaches, whether it's learning from overseas precedents or following local examples such as Argosy Property's retrofit-first strategy, which kept thousands of tonnes of concrete in use to deliver Wellington's first 6 Green Star commercial tower. These stories aren't blueprints to copy, but prompts for boards to consider how policy stability, community partnerships and bold targets might align with their own context.

You'll find practical guidance on planning a balanced transition and key metrics to monitor. Electrification in New Zealand is not simply a technical shift; it is a paradigm shift reshaping our entire system from generation through to consumer interaction. It requires massive investment in generation capacity, transmission, energy storage, consent processes, and workforce capability. We examine how to phase investments so that grid upgrades, rural connections, and distributed generation proceed in harmony avoiding price shocks and ensuring regional fairness.

The boardroom discussions section equips directors to ask the right questions on supply security, bridging exposure, and long-term opportunity.

That naturally leads into an exploration of directors' obligations. This guide sets out the legal framework, disclosure requirements, and governance structures needed to integrate a climate transition roadmap into board oversight.

Finally, the guide closes with a toolkit of "no regret" actions – immediate steps every board can take to embed the energy transition into strategy and risk registers, foster capability in AI and digital systems, and ensure social licence through just-transition measures. These are practical, non-sector-specific moves that build resilience and unlock value today, even as the pathway unfolds over decades.

The transition is not optional; it is driven by government policy, investor scrutiny and stakeholder expectations. The Ministry for the Environment and Ministry of Business, Innovation and Employment have outlined national ambitions in the Energy Strategy and sector frameworks, including the April 2025 Energy Transition Framework, emphasising affordability, security of supply and innovation.

The business case for the energy transition is strengthening. Well-designed transition policies can deliver lower long-term electricity prices, reduce emissions, and improve resilience to global energy shocks. However, this is contingent on clear investment signals and robust governance to avoid half-measures.

Crucially, energy transition is not just a technical or financial matter; it is a social contract. The Electricity Authority has called for energy affordability and consumer voice to be central to the transition, noting the importance of decentralisation, equity and fair outcomes. Directors have a responsibility to ensure that transition planning is just, inclusive and transparent.

A "no regret" approach begins now. Directors who act early can shape transition pathways, enhance organisational resilience, and build stakeholder trust. Those who delay risk stranded assets and loss of social licence. The energy transition is one of the most material governance challenges of our time — and one of the greatest opportunities for purpose-led leadership and long-term value creation for all of New Zealand.

Energy transition overview

Jonathan Kay, energy sector leader and director

New Zealand stands at an energy crossroads. Like the rest of the world, we are entering a multi-decade energy transition. The decisions we take now will have profound impacts for our future wherever we live in New Zealand. It is no exaggeration to say our current situation is finely balanced.

Global growth in productive output is powered by increasing access to energy. Energy transitions create opportunity and that is absolutely the case now.

At the heart of the transition we are replacing fossil fuels with clean renewable electricity. At scale, this can create real value for New Zealand businesses and families wherever they are situated. Estimates of the potential cost savings range between NZ$5 to NZ$10 billion dollars per year, every year. The energy transition is a wealth generator. The faster we transition the better off we will collectively be.

However, the transition also carries risk. Energy systems are complex and fragile. All over the world we are seeing the consequences of seemingly small changes made to energy systems and we are not immune. Our dwindling gas reserves have exposed a lack of security in our electricity system. Winter 2024 saw electricity prices soaring which led to industrial plant closures, some permanently. Rural New Zealand was particularly hit hard.

Just like air and water, access to energy is a fundamental right. If we get this wrong, it will have a detrimental impact on our society.

The good news is we have been through similar situations before, and history is a great teacher. We used our natural resources to create cheap electricity to attract energy intensive industries to New Zealand. Those industries created jobs and prosperous communities. If we get the transition right, we can do this again.

It is tempting to look at other countries to follow, but none are there yet. While countries are striving to fulfil their Paris Agreement obligations, they are all starting from different places. New Zealand must solve for our own context but we also start with great advantages as so much of our energy is already hydro generated.

Energy accounts for roughly half of our greenhouse gas emissions. While electrifying transport and decarbonising process heat are key parts of our path to net-zero, there are five key things we must do as a nation to succeed:

1. **Think energy not just electricity:** The terms electricity and energy are used interchangeably. While electricity will become our dominant energy source, we must take a whole of energy viewpoint. Taking a holistic approach reminds us of the size of the prize. The actions we take to reduce electricity costs may not be the right actions to help us transition faster to lower energy costs and lower emissions.
2. **Go faster:** The faster we go the greater the benefit, not just from savings but from the opportunities leadership creates. However, to succeed we must think slow before acting fast.
3. **Embrace the 'and':** The energy trilemma tells us there is inherent tension between sustainability, security and affordability and that trade-offs are inevitable – this is an 'or' mentality. To succeed we must embrace an 'and' mentality. We know that if we transition well total energy costs will fall markedly; and we must reach net-zero; and that a highly electrified economy requires a secure, resilient electricity system – we need to do all these things.
4. **Stimulate demand:** The real value is created by increasing electricity demand. In the golden years of the 1950s through 1970s, when much of our electricity infrastructure was built, chasing rapidly increasing demand for electricity gave government and businesses licence to be ambitious.
5. **Recycle the savings:** New Zealand is committed to a just and fair transition. Those who transition early will benefit the most. Those who transition late will be exposed to increased costs. To help them we must share a portion of the savings that are created.

The economic impact

Why energy transition needs to be a priority for boards: Lessons from Denmark, Germany and Uruguay

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Around the world, countries are proving that energy transition is not only a climate imperative but also a catalyst for industrial innovation, regional development and economic resilience. The positive economic impacts have increased productivity and innovation and driven profitable growth and expansion for business. These examples tangibly demonstrate why boards need to prioritise energy transition regardless of sector or location.

Denmark, Germany and Uruguay each illustrate different pathways — but share common threads of long-term vision, bipartisan consensus, and clear regulatory frameworks that have turned ambition into action.

Denmark's journey shows how a small country can transform an energy crisis into an economic strength. Triggered by the 1973 oil crisis, Denmark shifted from near-total reliance on imported oil to generate electricity to sourcing over 88% of its electricity from renewables by 2024, with wind power alone making up around half. Central to this transition was bipartisan support that created political stability, and practical incentives that sparked grassroots innovation. Tax breaks in the 1980s helped households form wind cooperatives — 2,100 by the mid-1990s — laying the foundation for Denmark's world-leading wind industry today. Alongside this, Denmark invested in district heating and diverse generation sources, building resilience and keeping consumer costs lower than they might otherwise have been. Today, Denmark not only exports turbine technology worldwide but also attracts significant international capital into its offshore wind sector. Crucially, the Danish model demonstrates that decarbonisation can fuel job creation, export growth and national energy security if clear targets, cross-party commitment, and smart market design are in place.

Germany's Energiewende, or "energy turnaround", is another ambitious example. Launched through legislation in 2010, but rooted in decades of anti-nuclear and environmental activism, the Energiewende aims to decarbonise Europe's largest economy while sustaining its industrial base. A mix of binding EU climate targets, strong civil society advocacy and a robust feed-in tariff system (guaranteed prices paid for renewable electricity fed into the grid) has supported renewables' share of electricity generation growing from 17% in 2010 to over 50% in 2023.

A defining feature of Germany's approach is its large-scale support for fossil-fuel dependent regions. €40 billion in structural aid has helped transform coal regions into knowledge hubs for research and clean tech. Yet Germany's experience also highlights the complexities of balancing energy security and climate goals. The war in Ukraine forced Germany to quickly reduce its dependence on Russian gas — at one point 95% of imports — and to temporarily rely more on coal, underlining the risks of over-reliance on any single supplier. Despite these challenges, Germany's consensus-driven model of industrial policy shows how public support, regional equity and long-term vision are critical for delivering a just transition.

Uruguay's example offers a compelling case of how a small economy can pivot rapidly by framing decarbonisation as an economic opportunity. With a geography well suited to hydro, wind and solar, Uruguay has leveraged political stability, cross-party backing and investor-friendly rules to generate 98% of its electricity from renewables. Its Energy Policy 2005–2030, ratified by Parliament in 2010 as a State policy, gave legal certainty across election cycles. Tax incentives, equal treatment for foreign investors, and bankable feed-in tariffs unlocked billions in private capital while encouraging public-private partnerships. A unique element of Uruguay's system is its state-owned transmission and distribution monopoly, which maintains network reliability and negotiates stable contracts for private generation — providing both scale and certainty in a small market.

Together, these examples show that energy transition works best when it is underpinned by bipartisan or multi-party commitment, clear investment signals, and local benefits that build public trust. While each context is unique, Denmark, Germany and Uruguay all demonstrate that clean energy can be more than a compliance cost — it can be a national advantage when communities, industry and government share a common goal and deliver it over decades, not just election cycles.

These lessons (and the benefits) are well recognised by the private sector. The boardroom continues to be a powerful lever to advocate for a bipartisan energy strategy in New Zealand with recent efforts including an **open letter call for urgent reform** of the electricity sector and the blueprint for New Zealand's energy sector released by the BusinessNZ Energy Council.

New Zealand is also yet to dip its toe into feed-in tariffs (or similar incentives) which are often a core feature of overseas jurisdictions who have a policy goal of incentivising emerging or renewable technologies. Whether or not you agree that such measures are needed, they have nevertheless proven to be politically difficult to implement in New Zealand. A joined-up energy strategy can only help obtain clarity on whether such incentive structures would achieve positive energy transition outcomes. The Government has confirmed that further announcements on the electricity market review are expected soon.

Planning for a balanced and resilient energy transition

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New Zealand must transition to renewable energy, but a poorly planned or poorly sequenced transition could have significant impacts for businesses and communities alike. Economic transitions bring inevitable social and regional change. This must be understood and managed by both government and business leaders if social licence is to be maintained and economic value retained. A transition that is too fast or poorly coordinated could lead to power price volatility, business closures and potential energy insecurity.

Directors play a key role in ensuring energy transition plans are robust, phased and supported by credible investment pathways. Without clear planning and oversight, the country risks supply gaps if legacy energy sources are shut down before reliable alternatives are in place. Businesses that fail to plan for transition risks could face higher costs, stranded assets, workforce disruption and reduced investor confidence. Directors should understand which parts of their operations or supply chains are most vulnerable to price shocks or supply disruptions.

Business impacts

Energy costs have already been rising for both households and businesses across New Zealand. Low hydro lake levels and declining gas supply contributed to a 6.4% increase in electricity prices in the year to March 2024, continuing a multi-year trend. Wholesale prices have spiked from around NZ$100 per megawatt hour (MWh) in September 2021 to around NZ$700/MWh August 2024. Whether you are a consumer, industrial user, or developer of generation assets, the single biggest challenge in the New Zealand energy market is navigating the (sometimes extreme) price volatility in wholesale electricity market.

Higher energy costs have already created challenges for some industrial operations in regional New Zealand. For instance, rising electricity prices have increased cost pressures for certain manufacturing and processing sites in rural areas. Many regional industries continue to play an important role in local employment and national supply chains, including providing materials and services that support wider infrastructure and economic activity.

A carefully managed transition can help ensure that changes for regional businesses are phased in a way that allows time to attract new investment, develop alternative economic opportunities and support workforce planning. Directors should consider how shifts in energy supply and demand may affect business operations and plan for how transition pathways can deliver fair outcomes for both rural and urban communities.

New Zealand's renewable generation is strong by global standards but our infrastructure is aging and peak demand is rising. Significant investment is needed to modernise the grid, expand generation, solve dry-year risks, smooth the volatile peaks of the wholesale electricity price curve and strengthen energy security.

Future opportunities

New Zealand's renewable resources, including wind (onshore and offshore), wave and solar, offer long-term strategic advantages. In particular, where the energy mix reaches an optimal balance where the inherent intermittency of these sources of generation are best managed and when combined with a battery storage system. If generation and storage can be matched at scale, this will support investor confidence and position New Zealand businesses to benefit from secure, lower-emission, locally sourced energy.

There are a number of opportunities emerging for New Zealand's energy future. One is the potential to co-locate renewable generation, grid-scale batteries and high-energy industrial users. Doing so could ease electricity pricing volatility and, at a national level, support investor confidence by making clean, reliable and locally sourced energy more accessible. This would also help position New Zealand businesses competitively in a low-emissions global economy.

Distributed generation, such as business-owned solar and storage, can also reduce costs and increase resilience for commercial operations. Hydrogen production at scale could unlock regional export opportunities provided the right infrastructure and location planning are in place.

For developers of new generation assets, speed remains a key advantage. Securing the best sites and connecting to the grid early is critical in an increasingly competitive environment.

When directors plan for transition, they must factor in the uneven distribution of transition costs and benefits. The energy transition will not affect all regions, industries or income groups equally. Rural and industrial businesses may carry more direct costs from industry shifts, infrastructure upgrades and changing supply chains, while urban and service-based businesses may adapt differently.

Boards should ensure that transition strategies consider these distributional effects and include clear, fair plans to manage the social, regional and workforce impacts that may arise.

Annual Energy Transition Dashboard

Directors benefit from monitoring national energy metrics as they offer valuable context for organisational strategy, enabling boards to anticipate trends, risks and opportunities arising from broader market shifts. Awareness of renewable capacity, emissions reduction, energy efficiency, investment flows and other key metrics helps directors better understand the external landscape.

Tracking these metrics helps businesses identify growth opportunities, manage risks, and align with investor, consumer and regulatory expectations. They offer insight into energy costs, market trends, supply chain resilience, and the pace of transition enabling more informed strategic and investment decisions.

Pillar	Metric	2023	2022	Trend
Renewable Capacity	GW solar	[0.372 GW]	[0.262 GW]	↑ 42%
	GW wind	[1.045 GW]	[0.99 GW]	↑ 10.47%
	GW hydro	[5.43 GW]	[5.42 GW]	↑ 0.18%
	GW geothermal	[1.042 GW]	[1.037 GW]	↑ 0.47%
Renewable Generation	Energy produced (TWh)	[37.81 TWh]	[35.46 TWh]	↔ Steady
	Renewable production (%)	[88 %]	[87 %]	↑ 1%
Emissions Reduced	Gross emission reductions ($MtCO_2e$)	[76.4 Mt CO_2-e]	[78.0 Mt CO_2-e]	↑ Better
Energy Efficiency	Energy intensity (GJ/$GDP)	[0.00197 GJ/$]	[0.00198 GJ/$]	↓ Improved
	Energy savings			

Renewable capacity shows how much clean energy infrastructure is being built. This signals future supply trends — rapid growth may ease energy costs and carbon exposure, while slow growth may indicate future constraints.

Renewable generation reflects how much renewable energy is actually being produced and used. A rising share suggests a cleaner grid, which is good for Scope 2 emissions and reputational positioning.

Emissions reduced reveals the pace of decarbonisation. This is critical for demonstrating progress to stakeholders and avoiding transition risk.

Energy efficiency shows whether energy is being used more effectively. Improved energy intensity is good — it reduces operating costs and emissions at the same time.

Boardroom discussions

Jonathan Kay, energy sector leader and director

Like the rest of the world, New Zealand is at the start of an energy transition, a transition that is necessary to decarbonise our economy and reach net-zero by 2050. To fully transition will take decades but risk related to the energy transition is real and demands attention in boardrooms now.

The risks posed by climate change and our need to ensure businesses are able to adapt should be well understood by boards. The risk associated with the energy transition is different. It is about business continuity and business transformation.

History tells us transitions are unpredictable and volatile. Energy systems are complex and fragile. As countries begin to transition, the consequences of making changes are becoming apparent and New Zealand is not immune.

But it is not all downside. Risk and opportunity are two sides of the same coin. The energy transition offers an upside. If we transition well, we will end up with significantly lower overall energy costs, greater energy security and the opportunity to supply low-carbon products to green conscious consumers.

This is an issue for all businesses because all businesses use energy in one form or another. For some, it is a significant input cost. For others, their operations cannot function without a reliable supply of energy. While many businesses may not fit into these categories that does not mean they will not be affected.

Boards must lean into this emerging risk. The future landscape is uncertain and ambiguous, but that mustn't prevent boards being curious and asking the right questions.

With any new or emerging risk the first step is to identify it. Do not fall into the trap of genericising the risk. Be specific. Ask:

- Under what conditions would our business operation be compromised without access to energy?
- Under what conditions does the cost of energy compromise our normal operations? What would our response to this be?
- Are we dependent upon critical suppliers who are susceptible to the above risks? Are they actively seeking to mitigate them?

- What opportunities are there from the energy transition? What might prevent us from realising these?

This is not simply a technical matter. Energy transition risk needs examining through technical, commercial, sustainability and strategic lenses. Boards must never be afraid to seek appropriate advice. In this case, context is important. When we look at ways to mitigate this risk make sure any possible solutions fit both a New Zealand context and your own business context.

The energy transition is essentially a shift away from fossil fuels to clean fuels such as renewable electricity and green hydrogen. This means some current energy sources will not be available at some future time. To prepare, boards need to ask:

- What investments are needed to transition from an existing energy source to a new one?
- What changes are required for our business?
- Should we invest directly to improve our energy security?
- Are our current planned investments sufficiently future-proofed?

The New Zealand Government is an active participant in the energy sector and history has seen it intervene in energy markets following energy crises. Boards need to consider:

- What political risks exist?
- Are our plans aligned to government policy?
- How stable is this policy?

The energy transition will take decades, much longer than our current electoral cycle, so boards will need to actively monitor the changing political landscape.

Effectively managing transition risk requires boards to strike a balance between short-term impacts to business operations and a long-term need to decarbonise energy and reduce emissions.

The path to net-zero is not linear. Actions will be taken and investments made to bridge between the current dirty world and the future clean world. New energy supply chains will need to be established and become mature. This pattern is repeating all over the world and we are competing globally for equipment, resources and capital.

Boards need to understand:

- How secure are the future energy sources we depend on?
- Are we reliant on temporary (bridging) solutions?
- How mature is the future energy supply chain?
- Do our plans take into account supply and resource constraints?

Against this backdrop it would be easy for boards to become fixated on short-term issues, but the long-term opportunities created by a successful energy transition present a more compelling proposition. Boards must devote equal time to the following questions:

- How can we market and sell products produced with green energy?
- By navigating the transition, can we develop new capabilities that can be used to grow our business?
- How can we benefit from lower future energy costs within our business?

The energy transition will be challenging but taking a future focused view provides the sense of purpose needed to create the impetus to drive the transition rather than be driven by it.

There was a time when New Zealand had access to cheap reliable energy as a source of competitive advantage. Successfully and quickly transitioning offers us the opportunity to re-establish this position in a clean energy world.

Case study:

Forest Lodge Orchard – Central Otago, New Zealand

Mike Casey's Forest Lodge Orchard in Central Otago is recognised as the world's first fully electric commercial cherry orchard. Facing rising diesel costs and the carbon footprint of conventional farming, Casey chose to transform every aspect of his operation — proving that decarbonising agriculture can cut costs and build resilience while maintaining production.

At the heart of Forest Lodge's transition is a mix of rooftop solar generation, battery storage and fully electric machinery. Today, the orchard runs its frost-fighting fans, tractors, vehicles and irrigation pumps entirely on electricity. The orchard's electrification centres on a 160kW solar PV system and a 300kWh battery bank, delivering over 80% of its energy needs onsite, with the remainder drawn from the national grid — but carefully timed to minimise peak demand.

Replacing diesel frost fans alone saves tens of thousands of dollars a year. Where diesel fans cost NZ$150-NZ$200 per hour to run, the new electric fans only cost about NZ$1 per hour. The orchard's electric tractor delivers the same power as a larger diesel equivalent — but with lower running costs and no tailpipe emissions. Even everyday tasks like staff transport are now handled with electric golf carts and vehicles, many of which are charged directly from the orchard's solar panels.

Electrification has cut the orchard's energy emissions by over 90%, from an estimated 84 tonnes of CO_2e per year to around 6.5. For Casey, this wasn't just about sustainability for its own sake — it's a commercial advantage. The orchard's premium cherries command a higher price from customers who value low-carbon produce, supporting the business case for investment.

Beyond day-to-day savings, Forest Lodge has become a micro power station for its community. By exporting excess electricity back to the grid — particularly during winter peaks when demand is high — the orchard earns additional revenue through an innovative agreement with local lines company Aurora Energy. Batteries store cheap solar energy during the day and can discharge it to the grid when power is needed most. This helps reduce reliance on fossil fuel generation during cold snaps and shows how farms can play an active role in the wider energy system.

Upfront costs remain a barrier for many farmers. Forest Lodge invested over NZ$1 million in machinery and energy infrastructure — partly offset by grants and rebates.

But Casey points out that, unlike diesel, solar and battery systems lock in decades of low-cost electricity upfront. The orchard saves around NZ$40,000 annually on energy costs — enough to service low-interest loans that could make similar projects viable for other farms.

For directors and business leaders, Forest Lodge Orchard demonstrates the practical opportunity of electrification: lower energy costs, diversified income, and more resilient operations. As New Zealand's energy transition accelerates, rural businesses like Forest Lodge show that farms can do more than grow food — they can help generate clean energy, strengthen local grids and create new revenue streams, all while delivering a premium product to market.

Directors' duties: Strategic oversight of transition

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Climate change and its bedfellow energy transition is swiftly reshaping corporate responsibility, as climate and transition related risks have moved beyond being a purely environmental concern to posing a material financial risk for New Zealand businesses. As a result, consideration of climate transition risks is now an obligation for New Zealand directors.

From uncertainty over devalued or compromised assets, natural resource scarcity, regulatory changes, insurance concerns, supply chain disruptions, energy costs or shifts in consumer demands, there are numerous climate-related issues that company directors may need to consider. Company directors in New Zealand have duties in relation to climate-related risks and energy transition that they need to understand.

ESG duties

The Companies (Directors' Duties) Amendment Act 2023 introduced a pivotal change to the Companies Act 1993 (Companies Act) by expressly allowing (on a "for the avoidance of doubt" basis) directors to consider matters other than maximisation of profit, including environmental, social and governance (ESG) matters when discharging their duty to act in the best interests of the company. Although the final version of the amendment did not retain the originally proposed non-exhaustive list of ESG factors, and may not have in substance changed the existing obligation on directors, its enactment signalled an ongoing evolution in the corporate governance landscape. However, this is now proposed to be repealed and we are yet to see what this will be replaced with, if anything.

While directors have long been required to act in the best interest of the company (discussed in more detail below), this legislative update affirms that ESG considerations are not only permissible, but integral to fulfilling fiduciary responsibilities, placing them on a par with financial performance in corporate decision-making. Regardless of whether there is a clause or not, directors are still required to act in the best interest of the company, with ESG matters already established as a permissible consideration for directors.

Duties of directors

Under the Companies Act, New Zealand directors have core duties to act in good faith and in the best interests of the company (**section 131**), to exercise powers for a proper purpose (**section 133**), and to exercise reasonable care, diligence and skill (**section 137**).

Climate change and its bedfellow, energy transition, are viewed as a foreseeable financial risks and must be considered by directors like any another financial risk. In particular, where companies are affected by climate-related financial risk, directors' duty of reasonable care requires them to:

- Identify the financial risk.
- Periodically assess the nature and extent of the risk to the company.
- Seek and critically evaluate advice as necessary; decide whether, and if so, how to take action in response.
- Take into account the likelihood of the risk occurring and possible resulting harm.

In addition, where companies have public disclosure obligations (i.e. companies listed on the NZX, companies that are deemed 'large' under the Companies Act, and financial markets conduct reporting entities), directors must ensure that they disclose material financial risks associated with climate change. Directors of those companies also need to oversee the accuracy, completeness, and timeliness of these disclosures, ensuring they align with the Financial Reporting Act 2013 (FRA) and the mandatory climate-related disclosure regime for climate reporting entities (where applicable) under the FRA (as introduced and amended by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021).

This includes ensuring that climate statements comply with standards set by the External Reporting Board, reflect the company's governance, strategy, risk management, and targets related to climate transition, and are consistent with international frameworks like the FRA. If a company forms part of a value chain which supplies goods or services to a climate reporting entity, then they may be indirectly caught as those reporting entities may look to their suppliers to feed into their climate-related reporting obligations.

Climate transition plans as part of strategy not compliance

There is also growing emphasis on the need for companies and directors to incorporate climate change and energy transition into their business operations, strategic planning, and risk management, for instance by:

- **Assigning responsibility for climate risk:** Appointing a clearly defined management team to identify and assess climate-related risks that reports directly to the CEO and the board.
- **Developing a climate transition roadmap:** Initiating planning for a long-term transition strategy toward 2050, incorporating measurable carbon neutrality or emissions reduction goals. This roadmap should include interim targets (say for 2030 and 2040), aligned with the company's existing multi-year strategic plan.
- **Integrating climate strategy across board committees:** Appointing relevant task committees such as risk, audit, legal and governance, strategy, nominations and remuneration or sustainability.
- **Strengthening climate disclosure and communications:** Engaging with disclosure counsel to design an external communications strategy and ensure robust, accurate climate-related disclosures and reporting practices.

Case study:
Argosy Property – Wellington, New Zealand

Argosy Property Limited is showing how a large commercial landlord can lead New Zealand's built environment towards a low-carbon future — not just by constructing new buildings, but by retrofitting what already exists. Managing a diversified portfolio worth over NZ$2.1 billion across industrial, office and large-format retail sites, Argosy has set a bold goal: 50% of its portfolio will meet Green Building standards by March 2031.

At the heart of this transition is a simple but powerful idea — revitalise the old before building new. Argosy's retrofit-first approach ensures carbon emissions are cut at source, avoiding the embodied carbon that comes with demolishing and rebuilding. As the company states, every retrofit aims for a minimum 4 Green Star rating, with many projects surpassing this to reach 5 or even 6 stars.

One flagship is the 8 Willis Street/Stewart Dawsons Corner redevelopment in Wellington. By reusing the five-level concrete and steel frame and adding modern seismic dampers, Argosy cut embodied carbon by 1,904 tonnes — a 49% saving compared to a new build. The result is Wellington's first 6 Green Star built-rated commercial tower — an award-winning example of heritage reuse, adaptive design and future-ready performance.

Retrofits like 8 Willis go beyond structure. Features such as high-performance facades, low-carbon concrete, smart LED lighting, and extensive sub-metering help shrink operational emissions. End-of-trip facilities and EV charging prepare these spaces for tomorrow's tenants. Already, more than 30% of Argosy's portfolio (by market value) is certified Green Star or NABERSNZ (National Australian Built Environment Rating System New Zealand) rated, with a clear plan to scale further.

Argosy's investment in renewable energy is equally important. Solar panels now power several office buildings — like the recently upgraded building at 105 Carlton Gore Road in Grafton, Auckland. An Energy Efficiency & Conservation Authority case study of this project shows how Argosy installed a large rooftop solar system that directly offsets grid electricity for tenants, lowering carbon emissions and providing greater energy price certainty. Lower running costs and improved green credentials from the solar array also help increase the property's long-term value.

As part of its emissions reduction plan, Argosy has held Toitū Net Carbon Zero Certification since 2020. The company is on track to phase out fossil fuel use for building services by 2030, introduce lower-impact refrigerants by 2031, and continue generating renewable energy onsite to cut reliance on carbon-heavy power sources.

Argosy's retrofits also create healthier spaces for people. Tenants benefit from improved air quality, modern end-of-trip facilities, and resilient buildings that factor in climate adaptation. And for shareholders, the business case is clear — greener buildings attract premium tenants and help safeguard portfolio value against changing regulations and investor expectations.

From Wellington's city centre to its industrial sites, Argosy shows what's possible when large-scale property owners take a strategic, retrofit-first approach backed by solar generation. The result is lower operating costs, reduced climate risk and commercial spaces that support New Zealand's transition to a net-zero economy.

No regret actions for directors

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Boards don't need to have all the answers to climate and energy transition challenges, but they do need to start asking better questions, setting the tone, and making space for transition planning.

While the path ahead is uncertain, the direction is clear: New Zealand's energy system is moving toward low emissions, distributed and more resilient models. The risk isn't acting too soon; it's failing to prepare.

These "no regret" actions won't solve the energy transition overnight, but they can position directors and their organisations to lead with credibility, confidence and care. They are not sector-specific, nor do they require perfect foresight. Instead, they reflect what all boards can do now, regardless of sector or emissions profile.

No regret actions

The energy transition is not one problem to be solved but a systems challenge to navigate. Directors aren't expected to predict the future, but they are expected to prepare for it.

No regret actions are the steps boards can take today to build internal capability, reduce exposure, and lead authentically. They are about asking the right questions, challenging assumptions, investing in people, and linking strategy to purpose.

Integrate energy transition into strategy and risk

Many directors think energy transition planning belongs with operational or technical teams. But this change is not just about fuel types or generation assets, it affects every corner of an organisation's value proposition, capital deployment and social licence.

Boards must ensure the energy transition is reflected in strategy, not sidelined in sustainability reports. As the **2024 Director Sentiment Survey** shows, only 46% of boards regularly discuss environmental impacts and only 42% of boards are engaged and proactive on climate change. That leaves many organisations exposed to regulatory, reputational and operational shocks.

No regret actions:

- Review whether transition risks (e.g. energy supply disruption, carbon pricing, policy reform) are adequately captured in your risk register.
- Ensure transition assumptions are embedded in strategic planning, including price volatility, demand growth, and energy security (and review your assumptions regularly).
- Undertake **scenario analysis** as part of your strategy process. Use tools such as the IEA Net Zero by 2050 Roadmap (which outlines global energy transition pathways compatible with limiting warming to 1.5°C), Ministry of Business, Innovation and Employment's energy demand and supply projections and transition modelling, or Transpower's Te Mauri Hiko scenarios, which forecast electricity system needs under deep electrification.

Boards should also consider energy dependencies in their supply chains and customer segments. For example, industrial users facing gas supply constraints may see input costs rise or processes halted as recent warnings from the Gas Industry Company and Electricity Authority have highlighted.

Review capital allocation and investment discipline

Long-term value creation depends on how today's dollars are spent. Boards should not treat energy transition as a separate capex line or future cost. Every major investment decision must be stress-tested against transition scenarios.

PwC warns against incrementalism – drip-feeding capital into short-term fixes rather than committing to strategic pivots. That pattern risks locking in emissions, missing regulatory windows, or writing off assets early. A clear investment horizon for transition infrastructure reduces risk and improves affordability over time.

No regret actions:

- Ask whether new investments align with the organisation's decarbonisation intent.
- Include a shadow carbon price in business cases (e.g. NZ ETS forecast, internal benchmarks).
- Apply a transition lens to merger and acquisition activity, asset revaluations and lease decisions.

Boards should also consider stranded asset risk. Fossil-heavy infrastructure may lose value as regulation tightens or technology shifts. Directors need visibility on asset lives, emissions profiles, and potential write-downs.

Strengthen digital and AI readiness for a net-zero future

The growth of artificial intelligence (AI) and digital infrastructure is creating both opportunities and tensions in the energy transition. Emerging technologies can support decarbonisation through smart grids, emissions modelling, and predictive asset management, but they also introduce new challenges. AI systems require significant electricity and cooling, raising energy demand just as organisations are trying to reduce it.

Boards have a responsibility to ensure that AI deployment is not only secure and ethical but aligned with transition goals. A growing number of stakeholders, from institutional investors to technology providers are calling for integration between digital and climate strategies.

No regret actions:

- Encourage management to explore how AI-related operations such as data storage, modelling tools, or customer platforms are contributing to overall energy demand, and whether these impacts can be mitigated or offset through procurement, design or operating practices.
- Ensure digital transformation plans are consistent with organisational net-zero and nature-positive commitments.
- Evaluate AI procurement and development practices through a responsible and sustainable lens including transparency, fairness, and long-term energy implications.

Digital infrastructure and AI governance are no longer back-office IT issues. They are strategic boardroom concerns and a crucial piece of the energy transition puzzle.

Embed transition in governance structures

The structure of board oversight can help or hinder effective governance. Climate-related governance is often fragmented, sitting with sustainability, audit, finance or strategy depending on the day. This creates the risk of duplicated effort or diluted accountability.

Boards should formalise responsibility for energy transition, ensuring it is resourced, scheduled, and integrated across committees. Oversight should go beyond disclosures to include strategy, risk, performance, and stakeholder engagement.

No regret actions:

- Review **board structure and capability** to determine the best structure for your board or clarify existing committee mandates.
- Require regular reporting on transition KPIs (e.g. emissions reduction, electrification progress, risk mitigations).
- Integrate transition into board evaluations and director development.

It can be helpful to rotate transition responsibilities across the board ensuring shared understanding rather than reliance on a single champion.

Build transition literacy at board and management level

We can't govern what we don't understand. And while no board needs to be filled with energy engineers, transition literacy across the board is essential. Directors must be equipped to understand and question assumptions, not just rely on management to do the thinking.

The **2024 Director Sentiment Survey** found less than half of directors (49%) are confident their board has the right skills and experiences to meeting increasing risk and complexity. Yet board oversight will only become more complex as electrification expands, markets decentralise, and public scrutiny intensifies.

No regret actions:

- Map current skills and identify gaps related to skills such as energy, infrastructure, climate change, resilience and systems change.
- Build transition knowledge into induction programmes, board calendars and committee updates.
- Encourage cross-functional learning between finance, risk and sustainability teams.

The role of the Chief Financial Officer is especially important. They must understand how energy transition impacts capital expenditure, depreciation, insurance, and access to sustainable finance. Boards can support this by inviting treasury and risk leads into transition discussions, not just sustainability teams.

Communicate with transparency and trust

Stakeholders are asking more questions. Employees want to know what the plan is. Investors want to see credible data, not glossy commitments. Communities want fairness and clarity. Boards need to lead communications that are transparent, realistic, and respectful of uncertainty.

This doesn't mean publishing perfect forecasts. It means being upfront about trade-offs, explaining assumptions, and engaging with critics. In their Green Paper on ***Working together to ensure our electricity system meets the future needs of all New Zealanders***, the Electricity Authority highlighted the importance of consumer voice and decentralised planning in maintaining legitimacy.

No regret actions:

- Consider how rising expectations from investors, regulators, and customers may demand earlier or more robust transparency, even in the absence of a legal requirement.
- Include transition assumptions and uncertainties in annual reporting.
- Ensure front line leaders and spokespeople are briefed and aligned.

Good disclosure is not just regulatory compliance, it's a trust-building opportunity. Transparency shows integrity, preparedness and care.

Stay connected to the big picture

Directors need to zoom out as well as drill down. The energy transition intersects with global capital flows, trade competitiveness, innovation systems and security. New Zealand will not be immune to supply shocks, investor shifts, or international regulatory expectations.

While the **New Zealand Greenhouse Gas Inventory 1990–2023**, released in 2024 by the Ministry for the Environment showed modest progress, these reductions were largely weather driven. Methane and CO_2 still dominate our footprint, and gross emissions remain well above 1990 levels.

No regret actions:

- Stay informed about international policy shifts (e.g. CBAM, taxonomy changes, global market signals).
- Engage with sector peers and industry bodies to shape collective pathways.
- Use foresight tools to monitor transition tipping points, opportunities and risks.

Governance is about staying ahead of the curve, not waiting for perfect clarity. Boards that keep the big picture in view can act with purpose in uncertainty.

Contacts

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Chapter Zero New Zealand is the national chapter of the Climate Governance Initiative, proudly hosted in Aotearoa New Zealand by the Institute of Directors. It is part of a global network of directors committed to taking action on climate change by enhancing their knowledge and skills in climate governance. The mission of Chapter Zero New Zealand is to mobilise, connect, educate and equip directors and boards to make climate-smart governance decisions, thereby creating long term value for both shareholders and stakeholders.

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