MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Te Kāwanatanga o Aotearoa
New Zealand Government

Wood Energy Strategy

Diversifying New Zealand's Energy Mix

OCTOBER 2025

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Te Uru Rākau New Zealand Forest Service

Ministry of Business, Innovation and Employment (MBIE)
Hīkina Whakatutuki – Lifting to make successful

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Ministerial foreword

New Zealand's forestry and wood processing sectors already make a significant contribution toward our *Going for Growth* agenda by boosting economic growth and productivity.

There are opportunities to make greater use of forestry residues and wood processing co-products to create home-grown, secure, and affordable energy, particularly to ease pressure on energy supplies. With the right settings in place, this could be a win-win for New Zealand industry, our wood sector, the environment, and climate.

Our goal for forestry is to restore confidence and support further investment in forests and wood processing as part of our plan to rebuild the economy. We want to see a growing forestry sector that processes more logs into timber and other valued added wood products to create jobs and move this country up the export value chain.

Wood energy also can help us strengthen our energy system by diversifying the available energy fuels and powering our economy, reducing pressure on electricity supply, imported fuels and domestic gas. Locally produced wood energy can also support regional employment and create new economic opportunities in forestry and wood processing and manufacturing. There are also opportunities to sell wood energy on a global scale to support our goal of doubling the value of exports by 2034.

We want to enable private investment in wood energy. To support this we formed a ministerial Wood Energy Taskforce in late 2024 as part of our second Emissions Reduction Plan – to investigate barriers to growth and identify ways to help drive investment.

This Wood Energy Strategy reflects our commitment to this important sector, setting out our vision, objectives and desired outcomes.

The supporting Action Plan shows the current work underway to achieve our objectives.

We look forward to continuing work with the sector to enable abundant, affordable wood energy.

Hon Simon Watts
Minister for Energy

Hon Todd McClay
Minister of Forestry

Wood Energy Strategy – snapshot

Diversifying New Zealand's energy mix

› Production forestry is our largest renewable biomass resource.

› Around 40% of fossil fuelled process heat could be replaced by wood energy by 2050.

Our vision: New Zealand accelerates wood energy as a reliable, affordable and sustainable energy resource for domestic and export markets – creating new economic and employment opportunities for forest owners and wood producers in our regions.

Outcomes we are seeking:

SECURITY OF ENERGY SUPPLY

Enable additional supply of wood fuels to diversify our energy system and power our economy, reducing reliance on imported fuels and domestic gas, and supplement the existing forestry sector.

REGIONAL ECONOMIC GROWTH

Enable domestic wood energy production to support regional employment opportunities, increase productivity and the resilience of regional forestry and wood-processing sectors.

EMISSIONS AND SUSTAINABILITY

Enable sustainably sourced wood energy to be used to displace fossil fuels where it is economically efficient compared to other options.

OBJECTIVES					
OBJECTIVE 1:	**OBJECTIVE 2:**	**OBJECTIVE 3:**	**OBJECTIVE 4:**	**OBJECTIVE 5:**	**OBJECTIVE 6:**
Improve availability of wood fibre supply	Enable private investment in production capacity	Reduce barriers for end users of wood energy	Promote export market access and attract foreign investment	Improve market transparency and coordination	Promote the use of sustainably sourced wood energy

Alignment with other Government priorities:

Building better markets for secure and affordable energy	Going for growth and doubling the value of exports	Biogas statement	Forestry Research Programme	Climate Strategy

Wood energy from residues of forestry and wood manufacturing (e.g, sawdust, wood chip, and low-grade logs) can be used to generate electricity or generate heat for industrial processes as an alternative to coal, gas or electricity. Wood can also be used as an input to liquid biofuels (such as sustainable aviation fuel) and biogas.

Action Plan: The supporting Action Plan shows the current work underway to achieve our objectives.

Context

Wood energy can help strengthen our energy system by diversifying the available energy fuels and powering our economy, reducing reliance on the electricity grid.

Gas production has been declining more rapidly than expected leading to security of supply and cost increases. Wood energy provides an alternative fuel source for some industrial and commercial businesses where it is economic to switch, and for electricity generation.

In 2024, Government established a ministerial Wood Energy Taskforce through the second Emissions Reduction Plan to enable private investment in the wood energy sector. We heard from industry that they wanted to better understand the government's position and its work programme on wood energy.

This Wood Energy Strategy describes the Government's vision and objectives for the wood energy sector. The supporting Action Plan sets out our current work for achieving these objectives. While the actions will evolve over time, the objectives are intended to be enduring.

The scope of the strategy is focused on the wood feedstocks for energy use alongside existing forestry and wood processing activities. There is other work underway on the wider use of wood fibres, and on other parts of the bioeconomy such as biogas. This strategy focuses on near-term opportunities in process heat and electricity generation, but we are also watching developments in liquid biofuels.Our work to enable wood energy is part of the Government's wider goals, including:

- The recently announced energy package in response to the Electricity Market Review programme to ensure energy is affordable and secure.
- The *Going for Growth* plan, we have a goal to double the value of exports by 2034.
- Our Climate Strategy and second Emissions Reduction Plan.
- Our vision to grow the forestry sector includes spurring economic growth through jobs and exports; delivering low emissions solutions and products; supporting land use resilience, adaptation, biodiversity & social benefits; and providing carbon removals to support climate goals.
- Work to enable the bioeconomy – for example, a Government Statement on Biogas and our Forestry Research Programme which includes initiatives to identify approaches to forestry management that if applied could support bioenergy forestry in New Zealand.

What is wood energy?

Wood has been burned for heat and energy for millennia. Today, wood processors commonly burn residues such as sawdust, wood chips, and hog fuel to power their own operations at lower cost. As some users have been seeking to switch from gas and coal, interest has grown in using wood energy to generate heat to power industrial processes and for electricity generation to support security of electricity supply. Wood can be used as an input to liquid biofuels (such as sustainable aviation fuel) and biogas.

Advances in technology and drivers such as climate change are increasing demand for manufactured wood products like pellets that are easier to transport, store and burn more consistently than unprocessed wood products. While "white" wood pellets and briquettes have been produced at scale for decades, newer innovations such as black pellets (torrefied and steam-exploded) are also being produced at commercial scale for applications where additional energy density and water-resistance are needed.

The opportunity for wood energy

New Zealand's forestry resource

New Zealand has an abundant and sustainable wood resource. Commercial plantations cover nearly two million hectares, with around 40 million tonnes of wood being harvested each year. Our forestry and wood processing sectors generate around $8.5 billion of revenue each year, through log exports, as well as producing wood products such as structural timber, fibreboard, pulp and paper, and biochemicals.

The highest-value parts of trees will attract greatest economic value when they are turned into wood products. Known as the "value triangle", **Figure 1** illustrates the value of different bioproducts by comparing the input of wood fibre to the capital investment needed to be profitable. Low value bioproducts are at the bottom of the pyramid because they require high volumes of wood fibre for lower product value (and vice-versa).

As illustrated in **Figure 2**, the thick bottom section of a tree is typically used for structural timber in the construction sector, and higher-up parts are used in sectors such as pulp and paper.

The Value Triangle

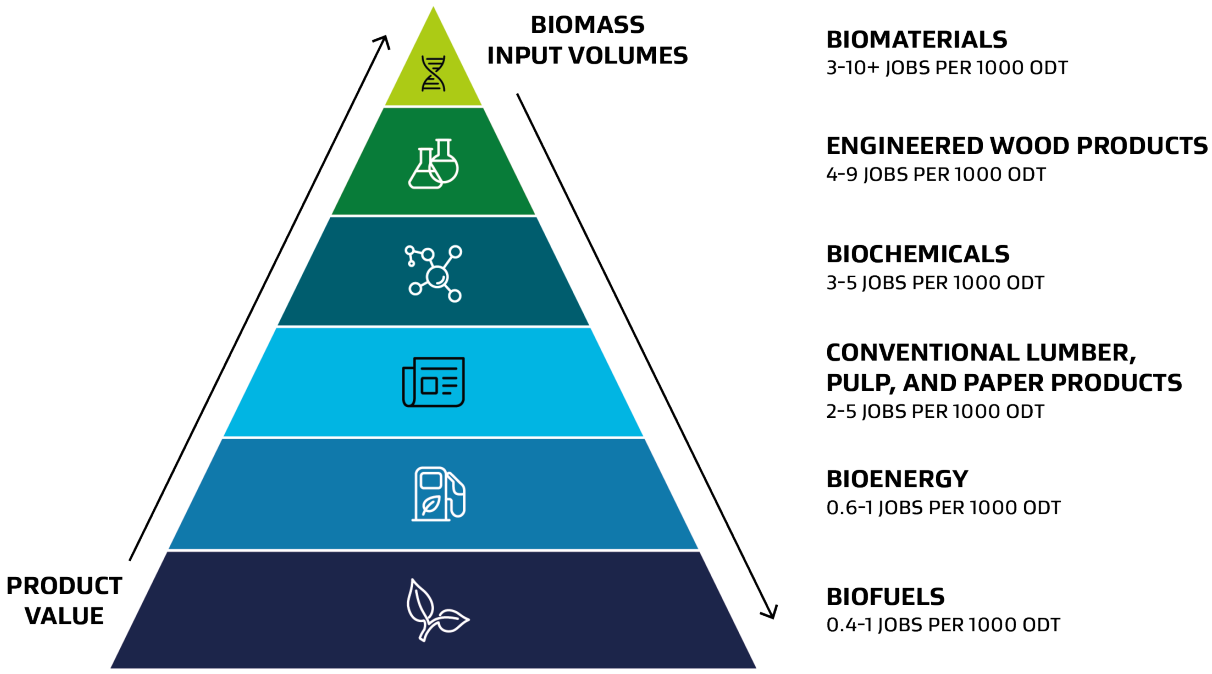

Figure 1: The Value Triangle
Source: Government of British Columbia. ODT refers to "oven-dried tonnes".

Products we can make out of a tree

Trees provide a sustainable and renewable source of wood fibre and residues to produce low-emissions materials, products, and biofuels.

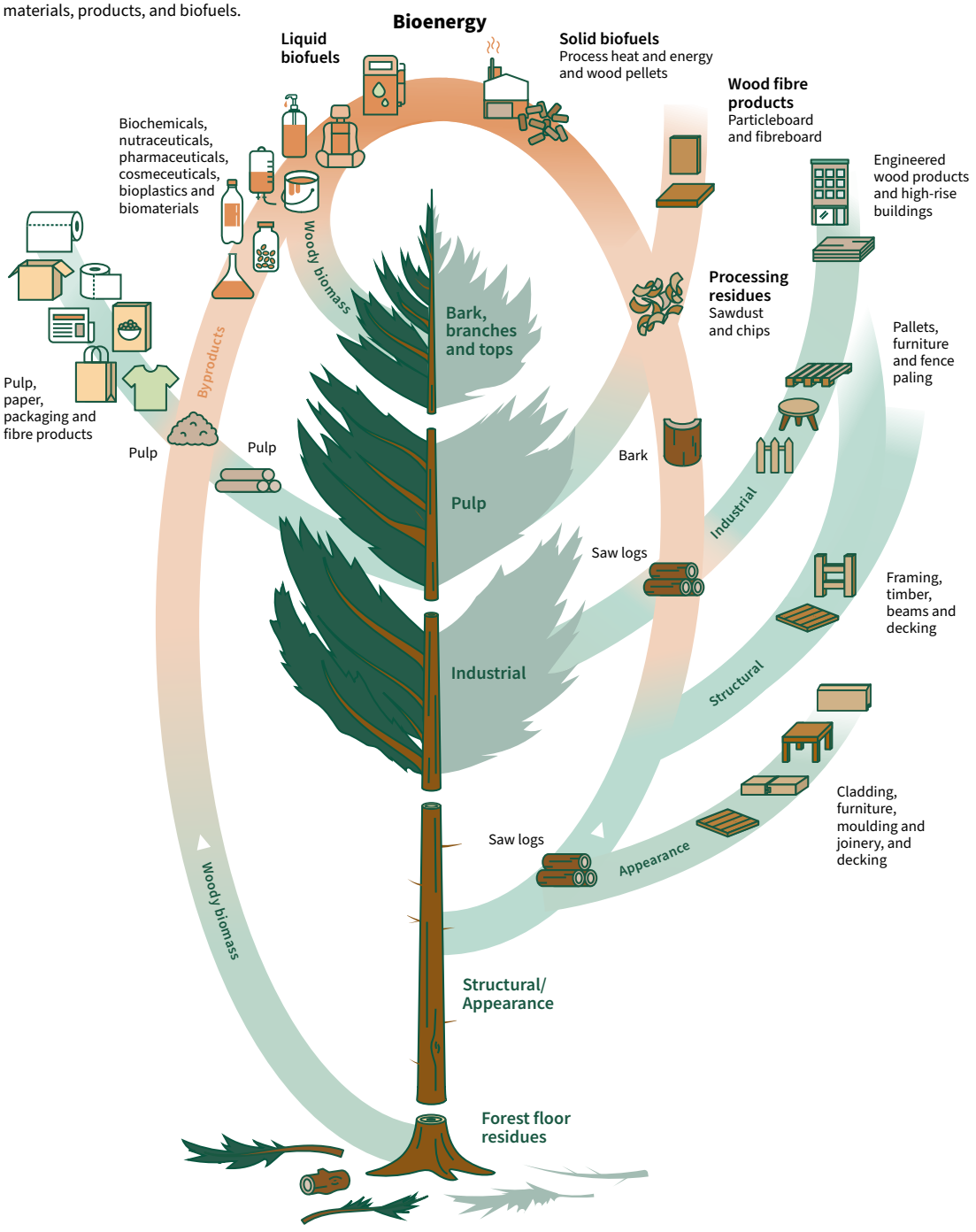

Figure 2: The fibre uses of a tree
Source: Te Uru Rākau – New Zealand Forestry Service

We want to maximise the economic value add to New Zealand from our forestry resource. Bioenergy can fit into this by:

- Generating value from waste and un- or under-utilised resources.
- As a by-product, supporting high value wood products such as structural timber or biochemicals.
- Onshoring use of low-grade logs for energy where this exceeds the value of exporting.
- Supporting the economics of demand for wood processing by creating an additional revenue stream.

Wood energy should not replace higher value uses of wood fibres where these are available.

The potential for wood energy

We have an opportunity to utilise wood residues to bring more domestically available fuel online while supplementing the existing forestry sector. This can diversify our fuel mix and reduce pressure on electricity supply, coal, and declining gas supplies. Making wood energy available where it makes sense as an alternative to electrification could also reduce the amount of electricity infrastructure upgrades required.

Wood energy could be supplied from the following sources:

- **Wood processing co-products:** Sawdust, and sometimes bark, are the lowest cost feedstocks but are largely already used for on-site energy and as a feedstock for other parts of the wood processing value chain. Wood chip is more valuable for products such as pulp and MDF.
- **In-forest residues:** Forest residues left after harvesting could be better utilised. There are opportunities to utilise these for bioenergy. Using forest residues could also reduce damage from forestry slash during severe weather events, although recovery can be costly and needs to be balanced with the needs to maintain soil health. Work is needed to improve the economics of collection and transport.
- **Low-grade logs:** Low-grade (KI/KIS) logs could be available for bioenergy use, beyond what is already committed to other users such as pulp mills or exporters)[1]. While many low-grade logs are currently exported more could be used for domestic purposes, including energy products. Scion analysis indicates there is excess supply, even with increased consumption. However, there may also be opportunity costs in terms of value, supply to existing industries, carbon storage and emissions displacement.
- **Short-rotation forestry:** Dedicated energy forests harvested after 12-18 years (rather than harvesting at age ~27 years) could play a role in future but are not widely established in New Zealand. Scion estimates that short rotation forestry as a feedstock for energy has the potential to replace six percent of New Zealand's annual fossil fuel demand using less than one percent of its land area[2]. The value proposition is not clear to forestry managers. Investigating new forestry management methods is a steep capability and capacity change for New Zealand's forestry sector, approximately 30 percent of which are small forestry owners. It is not yet clear what price point short-rotation energy sources would sell for. There may also be an economic impact for local communities where short-rotation forestry is preferred over other land uses.

EECA estimates that 7-8 million tonnes of residues or low-grade logs could be available each year to meet wood energy demand, without impacting existing wood fibre users. This excludes K-grade logs (4-5 Mt) and does not include any future short-rotation energy forests.

Figure 3 estimates the quantity of volumes available from each of these sources[3].

1 Export is the final offramp – with all domestically unsold material going to export. Some of the wood destined for export could be made available for wood energy.
2 Derived from Scion Short rotation forestry handbook. Short-Rotation-Forestry-Handbook-4web.pdf
3 Volume estimates come from the Energy Efficiency and Conservation Authority (EECA)'s Regional Energy Transition Accelerator project unless otherwise specified.

Energy security

Energy security is critical for economic growth and international competitiveness. Our businesses face energy security challenges as local gas supplies have been declining and as global markets increasingly put pressure on ongoing coal use. We have also experienced high electricity prices in recent winters, and we are reliant on coal to generate electricity, especially during dry years when our hydro lakes are low.

Increased wood energy supports security of supply through greater diversification of energy sources and provides a low-carbon fuel for process heat.

It can also be used as a feedstock to produce transport fuels.

This Strategy complements the Government's recently announced energy package in response to the Electricity Market Review to ensure energy is affordable and secure.

Wood energy provides an alternative fuel source for some industrial and commercial businesses where it is economic to switch.

Wood energy can be particularly useful where:

- Higher temperatures are needed (such as process steam, kiln drying and particle board manufacturing)
- Storable energy is needed (such as electricity generation)
- There are capacity challenges for electrification (such as where there are grid constraints)
- There are favourable logistics (such as where wood is available, and the firm has the ability to manage complex boiler operations).

Wood energy could be a significant part of our future energy mix. **Figure 3** below provides a snapshot of estimated supply and demand for wood energy through to 2050.

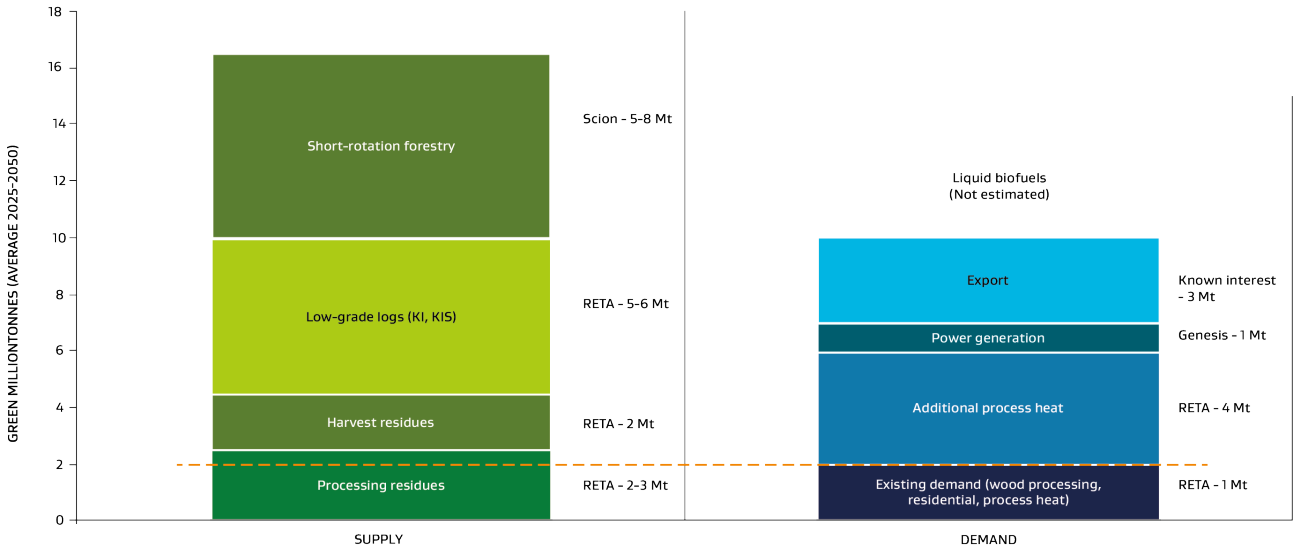

Figure 3: Potential solid wood energy supply and demand.
Source: MBIE based on data from EECA, Scion, Genesis Energy, and known potential export demand.

Around 1 million tonnes of green wood fibre is used annually for process heat.

EECA's analysis indicates that under a pathway where a combination of biomass and electrification projects are pursued (depending on what is most economic at each individual site), around 4 million tonnes of further green wood fibre could be required to replace around 40 per cent of fossil-fuelled process heat.

Supplying Genesis Energy' targeted supply of 300,000 tonnes of torrefied pellets would require a further 1 million green tonnes (see Huntly case study below).

New Zealand currently has four white wood pellet processing facilities. A number of companies are exploring further development, including torrefied or steam-exploded pellets. Wood energy could also be imported or exported. For example, Fonterra is importing white pellets to use at its Clandeboye site, while Nature's Flame is exporting white pellets. Key export markets include Japan, Korea, and the European Union.

CASE STUDY:
Wood pellets at Huntly could support our dry-year security

Huntly Power Station, run by Genesis Energy, is New Zealand's largest power station. One of its roles is to provide back-up power when the country does not have enough renewable energy. Three of the five generating units at Huntly can run on coal or natural gas. Coal generation from these units produced 1.35 Mt CO2-e of emissions from July 2023 to June 2024. Genesis Energy has a public goal of delivering 300,000 tonnes of biomass per year to Huntly Power Station by the end of fiscal year 2028 materially displacing coal generation. Initial government estimates suggest this could deliver reductions of 1.1 Mt CO2-e in the EB2 period and 1.6 Mt CO2-e in the EB3 period.

Genesis has made significant progress in creating a biomass supply chain to secure a reliable and local wood pellet supply from a range of 'consortia'. This prioritises torrefied black pellets which are easily consumed by the Rankine boilers with minimum change required. When established, the supply chain is anticipated to generate permanent jobs in regions close to existing fibre supply.

Genesis says its demand will serve as an anchor for pellet production facilities which could service wider demand both domestically and in export markets.

The wood energy sector's contribution to our regions

New Zealand's forestry and wood processing sector is a major provider of employment and prosperity outside of our major urban areas. Relative to regions with major cities, more rural regions typically experience higher levels of unemployment, and lower incomes. Wood processing pays high wages for skilled workers and provides significant demand into supporting industries.

Issues affecting the forestry and wood processing sector contribute to these regional challenges, including volatility of log export prices and demand, and rising input costs (such as energy) affecting productive investment and employment opportunities. Recent major business closures and associated loss of employment, across Tasman, South Waikato and Ruapehu demonstrate the challenges faced by communities reliant on local manufacturing industries.

Increased wood energy production in New Zealand could provide a new line of processed products, diversifying and relying less on exports of low-grade unprocessed logs for regional income, increasing regional economic productivity and resilience. It could create new skilled jobs for experienced workers and attract new skilled workers to the affected regions.

Wood energy production could support the ongoing viability of the forestry and wood processing sector by creating new offtake opportunities and revenue streams for sawmilling co-products. A medium-sized sawmill employs around 130 people.[4]

At the same time, it will be important to consider the impact of wood energy production on sector incumbents, particularly existing users of wood residues – new wood energy producers may compete for supply of wood residues with, for example, New Zealand's pulp, paper and packaging producers.

Further to the overarching drivers of sector investment, some regions may face barriers to realising their wood energy sector potential, such as inadequate infrastructure, workforce challenges, or lack of existing industry and expertise to support efficiencies and innovation. This is particularly relevant to those regions which have poor infrastructure combined with limited in-region demand. For example, Tairawhiti currently exports over 95% of its annual log harvest markets. Some of the actions in the Action Plan may enable regions to overcome these barriers and attract bioenergy production investment and add value to New Zealand's wood resource.

This strategy may also present opportunities for Māori landowners and forestry operators by creating regional jobs, supporting sustainable sourced wood energy as an alternative fuel, and enabling greater participation in the wood energy sector.

CASE STUDY:
Ngāi Tahu Farming and Crown Forestry trial short rotation forestry

Ngāi Tahu Farming has partnered with Crown Forestry (a commercially-focused team within Te Uru Rākau – New Zealand Forest Service) to demonstrate the viability of a range of forestry regimes for the harvest of short rotation forestry and the increased recovery of forestry residues. This joint venture will increase the supply through planting forests for woody biomass, and targeted research and development. The research programme will look at growing different species under different stocking densities which can lead to an increased volume of woody biomass. The 5,400-hectare Hikawaikura Forest in the Hurunui District is on land owned by Ngāi Tahu Farming (NTF) and is strategically located within reach of markets. The forest has scale for testing a range of regimes, the easy contour allows for increased recovery of forest residues, and it will provide insights on improving sector resilience.[5]

4 NZ Wood Fibre Futures Project Stage Two Report Final Main Report.
5 Source: Forestry right agreement focuses on woody biomass | Use Wood Fuel - a Bioenergy Association site

Wood energy's emissions and sustainability

Internationally, sustainability of wood energy is a key concern, particularly where it is produced from old growth forests or risks contributing to deforestation. Another concern is potential displacement of food crops. New Zealand is well-positioned to manage these risks. Our wood comes from fast-growing, sustainably managed plantation forests.

New Zealand has committed to Net Zero carbon emissions by 2050. Wood energy can contribute to this by replacing coal and gas used to produce heat and electricity, and potentially liquid fuels in the future.

While the combustion of wood energy is not in scope of the New Zealand Emissions Trading Scheme (ie. there is no ETS obligation or cost associated with the combustion of biofuels or bioenergy), wood energy is not automatically "carbon neutral". Its net emissions impact depends on how and where the biomass is sourced and processed, how it affects carbon storage in forests and wood products, and the fuel it is replacing. Even from sustainable sources such as harvest residues, wood energy can reduce levels of carbon storage.

While still delivering significant net emissions benefits compared with fossil fuels, impacts on carbon storage can delay and reduce these benefits. These impacts need to be understood and acknowledged.

Using logs for energy involves potential trade-offs with other wood uses which store carbon and provide a valuable product. This is a complex issue involving dynamic global markets. New Zealand currently exports large quantities of low-grade pulp and industrial logs which are typically used for short-term purposes such as temporary construction materials. In general, we see the use of these logs from sustainably grown forests as sustainable where its supply chain is efficient and its use effective at displacing emissions intensive applications to significantly reduce greenhouse gas emissions.

Wood energy is in high demand globally, and New Zealand-grown wood energy could help to reduce emissions abroad as well as at home. It is important to acknowledge that while exported wood energy would create economic benefits, its production would create an emissions source without a corresponding reduction in domestic energy emissions. Imported wood energy could have the opposite effect. Importers may wish to consider the sourcing and sustainability credentials of their wood energy products.

CASE STUDY:
McCain foods biomass

McCain Foods converted its coal boiler into a 14 MW biomass woodchip boiler to eliminate coal consumption and the associated carbon emissions. This project was commissioned in July 2022 and co-funded by EECA, the site now uses about 25,000 tonnes of wood chips annually, completely replacing coal. The conversion of the boiler has removed the need for coal on-site and has improved local air quality.

Wood has a much lower ash content than coal, and the ash that is produced is less toxic. The reduced ash volumes have eased ash handling and stormwater quality has improved with reduced ash contamination. The remaining ash will be used for wider sustainable practices such as composting. McCain Foods has also been able to capitalise on the brand value of its cleaner processing and is now planning to implement similar projects across six other sites globally.

How wood energy can contribute to outcomes

Vision

New Zealand accelerates wood energy as a reliable, affordable and sustainable energy resource for domestic and export markets – creating new economic and employment opportunities for forest owners and wood producers in our regions.

OUTCOME 1: SECURITY OF ENERGY SUPPLY

Enable additional supply of wood fuels to diversify our energy system and power our economy, reducing reliance on imported fuels and domestic gas, and supplement the existing forestry sector.

How wood energy could support security of energy supply:

- 40 per cent of currently fossil fuelled process heat could be fuelled by wood energy by 2050.
- By 2028, wood energy could provide electricity generation equivalent to 40 per cent of the coal generation needed from the Huntly Power Station during the 2024 dry year.
- If domestic SAF production emerged, domestic production of 102 million litres per year of unblended SAF would be equivalent to 5% of NZ's 2019 jet fuel demand (according to a feasibility study from Air NZ/LanzaJet).

OUTCOME 2: REGIONAL ECONOMIC GROWTH

Enable domestic wood energy production to support regional employment opportunities, increase productivity and the resilience of regional forestry and wood-processing sectors.

How wood energy could support regional economic growth:

- A white pellet mill producing 100,000 tonnes per annum could hire 15-30 people and produce 1.7 PJ of energy per annum. Black pellet mills could hire significantly more staff.
- As an example, if 40PJ of demand occurred, this could mean over 20 mills hiring over 300 people.

OUTCOME 3: EMISSIONS AND SUSTAINABILITY

Enable sustainably sourced wood energy to be used to displace fossil fuels where it is economically efficient compared to other options.

How wood energy could support emissions and sustainability:

- If process heat users switch to wood energy in line with an optimal pathway modelled by EECA, and Genesis Energy successfully secures 300,000 tonnes of pellets per annum by 2028, this could reduce net emissions by 5.6 – 6.6 Mt in EB3.
- Wood energy export could reduce emissions overseas but could increase land use change emissions in New Zealand without a corresponding decrease in energy emissions.

How the Government will support wood energy

The markets for wood residues and wood energy products (such as pellets) are still developing when compared to other energy markets in New Zealand, building on the existing forestry and wood processing sectors. There are a range of barriers to market participants making efficient choices.

The Government will support market development by addressing market failures or regulatory barriers where it is practical and efficient to do so. We will aim to take actions that are technology and fuel neutral and do not distort other uses of wood fibres. At this stage, we are not pursuing policies such as demand mandates or direct support for the industry.

Our objectives for achieving our vision in line with this approach are laid out in accompanying Wood Energy Action Plan that sets out the actions the Government is taking beneath this Strategy. While the actions may evolve over time to reflect evolving circumstances and priorities, it is intended that the objectives remain consistent.

Objective 1: Improve availability of wood fibre supply

Users and producers need secure and affordable supply of wood fibre. As discussed above, wood fibre supply can come from processing residues, harvesting residues, low-grade logs, and short-rotation energy forests.

We aim to improve availability of wood fibre supply. We will take actions to:

- Improve the economics for aggregating in-forest residues.
- Demonstrate and de-risk short-rotation forestry.

Objective 2: Enable private investment in production capacity

New Zealand can benefit from investment in domestic production capacity for wood energy and fuels. These projects require significant capital, secure long-term wood fibre supply, and secure long-term offtake.

We aim to enable private investment in production capacity for wood energy. We will take actions to:

- Support business development.
- Create an enabling regulatory environment for investment.
- Promote place-based sector growth and enabling settings.
- Boost wood processing to create value, improve certainty for forest harvesting operators, and increase the supply of co-products such as chip for use in wood energy products.

Objective 3: Reduce barriers for end users of wood energy

Switching to wood energy can be a significant decision for businesses. It requires clear financial incentives, long-term security of supply and price, and a plan for navigating site and operational challenges.

We aim to reduce barriers for end users of wood energy. We will take actions to:

- Provide information and guidance to support fuel switching
- De-risk new technologies and capital projects.

Objective 4: Promote export market access and attract foreign investment

Wood energy could be exported to create revenue and to support domestic production. New Zealand already exports small volumes of wood pellets, and a number of companies are exploring export opportunities. Export demand could supplement domestic demand in underpinning manufacturing capacity. Our global customers are demanding sustainably sourced and certified bioenergy.

We aim to remove barriers to export and attract private investment. We will take actions to:

- Explore options to influence international sustainability standards to reflect the use of sustainably managed plantation forestry.
- Promote New Zealand's investment prospects internationally to attract investment and link our exporters to partners.

Objective 5: Improve market transparency and coordination

As mentioned above the markets for wood residues and wood energy products are currently still developing, with largely one to one transactions. Because demand-at-scale has yet to arrive, infrastructure is not yet in place meaning potential users, processors, and foresters have limited information on the overall size and potential of the market, who they can partner with for supply or offtake, and the price and terms of transactions in the market.

This can lead to duplicate efforts and inefficient trading outcomes.

It is important that all market participants, including new entrants, have access to high quality information to support efficient transactions. We will take action to:

- Improve access to information on key market parameters, such as trading volumes, prices, and contract conditions.
- Support market coordination.

Objective 6: Promote the use of sustainably sourced wood energy

As outlined above, wood energy can reduce emissions when managed sustainably and applied effectively. But its impacts can vary depending on how wood is sourced and how carbon storage in the forest is affected.

We aim to promote the use of sustainably sourced wood energy to support reducing net emissions. We will take action to:

- Better understand the emissions and sustainability impacts of wood energy, to inform stakeholders on which methods and applications are most beneficial.

The Wood Energy Action Plan available on MBIE's website provides a snapshot of the Government's work programme to support this Wood Energy Strategy.

Te Kāwanatanga o Aotearoa
New Zealand Government

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