Sentiment

Infrastructure and Buildings Construction Survey Report 2024

2024 Sentiment Report

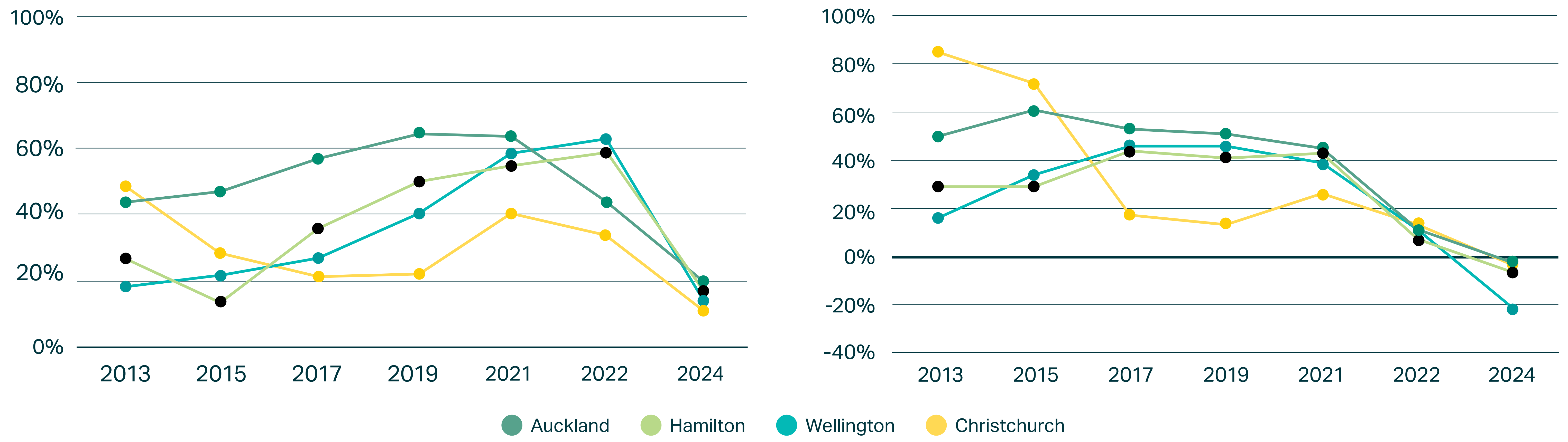
At AECOM, we are committed to delivering a better world. With the Infrastructure and Buildings Sentiment Survey in its thirteenth year, we are continuing our mission to collect valuable industry insights and to ensure we are well-positioned to take on the challenges and opportunities confronting our industry.

Since our last report in 2022, industry sentiment across the country has declined sharply, with the exception of the infrastructure sector which remains net positive. Overall, sentiment is at its lowest since the mid-2010s, with the lowest observed in Christchurch.

Delivery expectations trend

Infrastructure market *14th industry survey*

Buildings market *20th industry survey*



Key themes

Declining Industry Sentiment

The survey results highlight a significant decline in industry sentiment across New Zealand, with Wellington experiencingthe most notable drop in the building construction sector due to governance challenges, infrastructure issues, and public sector layoffs primarily aimed at reducing spending, impacting ministries such as the Ministry of Business, Innovation & Employment (MBIE) and the Ministry of Health. Meanwhile, the buildings market is facing a downturn driven by changes in government policy, workforce shortages, and reduced migration numbers. Paradoxically, contractors are letting staff go due to a lack of work, despite ongoing workforce shortages, further exacerbating challenges within the industry.

Investment and Delivery Expectations

Despite investment uncertainties, confidence in New Zealand's infrastructure market remains steady, with funding focused on transport and water. Inflation, supply chain disruptions, and skilled labour shortages pose challenges, particularly for healthcare and education projects which are only now starting to scale up. While the road sector remains optimistic, rail, three waters, and building construction face declining sentiment due to reduced government spending, funding uncertainty, and rising costs, leading to project delays and cancellations, with jobs placed on hold.

Sustainability and Resilience

Extreme weather events like Cyclone Gabrielle have highlighted the urgent need for infrastructure that can withstand the growing impacts of climate change. The industry is focusing on integrating social, environmental, cultural, and economic considerations to create long-term solutions that are both resilient and sustainable. It is prioritising transitioning to a lower-carbon economy and addressing climate change impacts. There is a call for more strategic fundings solutions and stronger communication.

Ageing infrastructure

The need for maintaining and repairing ageing assets has been highlighted as a priority for local government. This focus is linked to New Zealand's broader infrastructure deficit, as much of the country's water systems and other infrastructure were built decades ago and are now reaching or exceeding their designed lifespans. This has led to increased maintenance costs, operational inefficiencies, and more frequent service disruptions.

Key indicators

Delivery and expectations

Expectations for infrastructure investment remain strong

80%

respondents anticipate an increase in infrastructure spending over the next three years, a positive sign and only slightly lower than in 2022.

Buildings market outlook remains strong

82%

anticipate their organisation's construction expenditure will either increase or remain steady. Interestingly, these findings mirror sentiment from 2017, a year marked by a change in government and evolving infrastructure priorities.

Strong investment in local government identified

96%

respondents identified investing in infrastructure to support growth as a high or medium priority for local government authorities.

Strong investment identified for maintaining and repairing ageing assets

97%

respondents identified maintaining and repairing ageing assets as a high or medium priority for local government authorities.

Industry Spotlight

Prioritising congestion and resilience

More than half the respondents see improving infrastructure resilience and prioritising congestion charging as the most important steps to improving New Zealand's transport systems.

Investment drivers

Confidence in the government's ability to deliver diverse financing options hinges on thoughtful planning and careful execution for success.

Governance and regulations

The impact of governance and regulatory complexities has become the industry's leading concern, resulting in project delays, rising costs, and hindering long-term planning.

Infrastructure market

Investment and delivery expectations

Confidence in New Zealand's infrastructure market has softened amid investment uncertainty, with many respondents anticipating a decrease in infrastructure spending. However, a slight majority still expect an increase over the next three years. Political cycles and budget constraints contribute to hesitancy, particularly for public sector-dependent projects such as three waters infrastructure and rail.

Increased investment

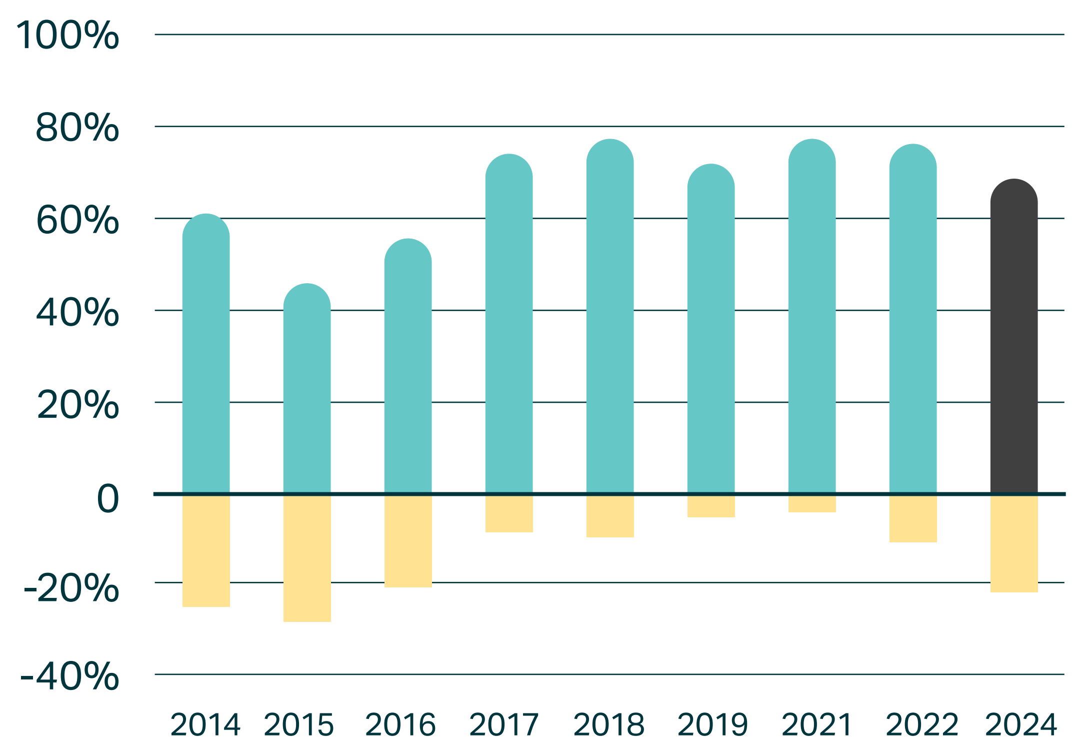
In this year's survey, one in five respondents expect their investment in infrastructure to decrease, signalling cautious sentiment in some sectors. However, the majority still foresee an increase in spending over the next three years, indicating sustained confidence in key infrastructure areas. This outlook reflects a slight decline from 2022, influenced by reduced government investment in specific sectors, such as walking and cycling infrastructure, and delays in water-related projects as the *Local Water Done Well* policy is further developed.

While, overall, sentiment is down, government investment in projects like the current National Land Transport Programme (NLTP), the largest in New Zealand's history, signals some optimism for the sector. While sentiment has softened since the "boom times" of the late 2010s and early 2020s—a period characterised by record investments driven by urban growth, economic recovery initiatives, and population pressures—the outlook remains notably stronger than the mid-2010s, when the market faced constrained government funding.

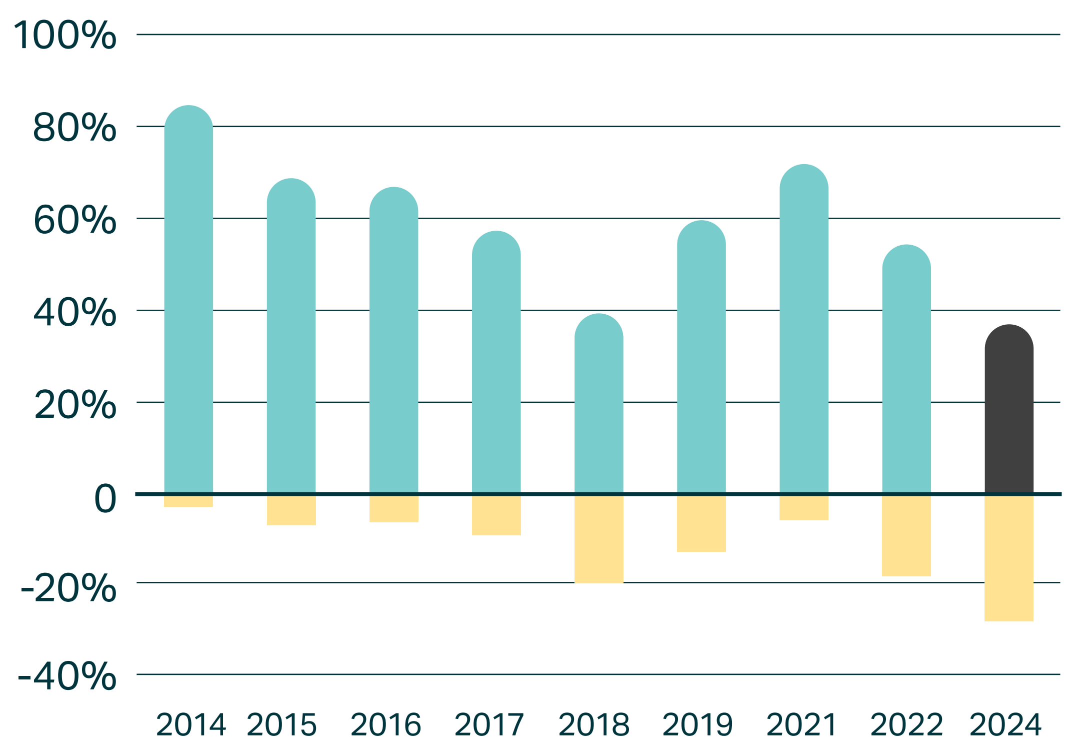
The period ahead is seen as a transitional phase, with expectations of accelerated investment growth from 2025 onwards. This anticipated growth reflects a long-term commitment to addressing New Zealand's infrastructure deficit and supporting long-term needs.

Infrastructure outlook

Investment market views



Delivery market views



Note: These measures of improving or declining expectations represent the proportion of respondents' views on market direction — not the actual anticipated change in deliveries.

Delivery market remains steady

The infrastructure and construction delivery market in 2024 shows a mixed outlook, with some sectors experiencing growth while others face challenges. There's a significant push to ramp up infrastructure investment, with a projected $12.1 billion allocated for 2024 and at least $11.6 billion for 2025, primarily targeting transport and water infrastructure. This aligns with government efforts to tackle a $200 billion infrastructure deficit and meet the nation's growing needs. This growth is a positive sign, indicating a continued commitment to enhancing infrastructure. However, the industry also faces headwinds, such as inflationary pressures and supply chain constraints, which could impact future growth. Despite these challenges, the overall sentiment remains cautiously optimistic, with expectations that the market will stabilise and potentially rebound in the coming years.

Delivery by region and sector – infrastructure market

Overall expectations by sector

Optimism for investment in the road sector has significantly increased since the last survey, reflecting the substantial capital needed in this area. Meanwhile, optimism in the aviation and energy sectors remains in line with 2022 levels.

Investment expectations in the rail sector continue to decline, which is not surprising given long-standing maintenance challenges and ongoing disruptions, particularly in Auckland with major projects like City Rail Link (CRL). KiwiRail has undergone significant challenges, and a revised funding model is needed for sustainable operations.

Investment optimism in the three waters sector (stormwater, wastewater, and potable water) is also declining, ranking just behind rail.

Waikato and Bay of Plenty

The road sector has the most improved score, from 48 percent in 2022 to 66 percent in 2024. Future investment in the Waikato and Bay of Plenty regions is centred on reintroducing key components of the Roads of National Significance (RoNS), including projects such as Hamilton Southern Links, Cambridge to Piarere, SH29, and Takitimu. While resilience remains a vital consideration following the extreme weather events of 2023, the focus is on advancing these strategic infrastructure projects to enhance connectivity, support economic growth, and address long-term regional needs. Rail has seen the largest drop in optimism. This reflects KiwiRail's challenges with the ongoing maintenance issues, service disruptions, and the impact of large projects like CRL, which have affected the broader rail network.

Canterbury

Optimism in the region has declined more than any other across the country, though the road and energy sectors have shown the most improvement since 2022. Increased optimism regarding workload expectations is fuelled by significant investments in major road projects and SH1 upgrades including the Belfast to Pegasus RoNS, which enhance connectivity and support the region's growing population and economic activity. In the energy sector, there is a strong push for renewable energy investments, including the Mount Mercer and Hurunui Wind Farms. Additionally, solar energy projects, such as the Ashburton Solar Farm and various community-led initiatives, are expanding to capitalise on the region's high sunshine hours.

Auckland and Northland

In the upper North Island, the outlook across most sectors has softened, notably in rail, potable water, stormwater and wastewater, followed by land development. The most improved score compared to 2022 is roads, up from 47 percent to 78 percent in 2024. This reflects several planned and ongoing projects aimed at improving transport efficiencies and addressing congestion. A key driver for optimism is investment in Roads of National Significance (RoNS) which includes the Northland Corridor, Mill Road, East West Link and the Northwest-alternative highway. There are also strong investment signals into public transport in Auckland, including the completion of the City Rail Link, the Northwest Rapid Transit Corridor, the Eastern Busway and the Airport to Botany.

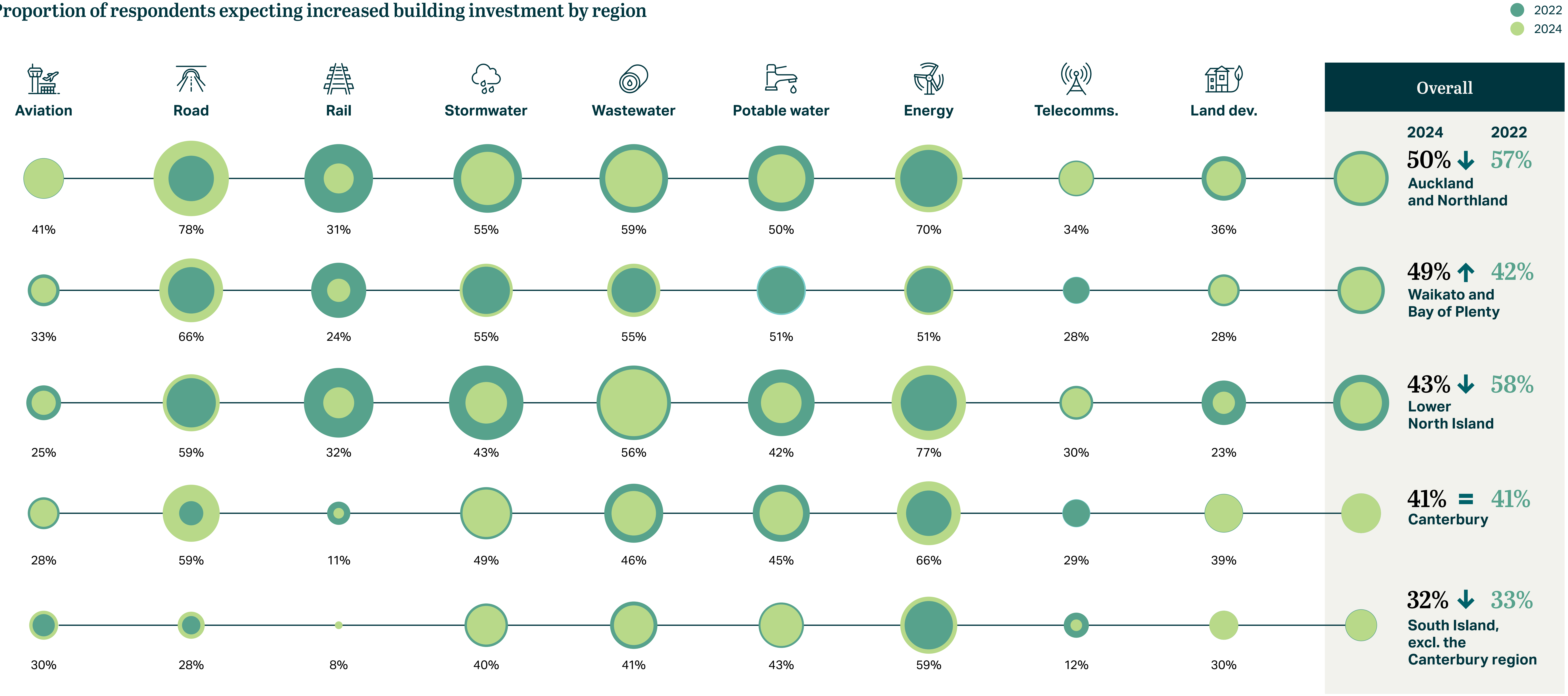
Lower North Island

Optimism in the Lower North Island's energy sector has grown since 2021, driven by investment in renewable energy and grid modernisation. Government policies supporting decarbonisation, along with increased private sector investment in renewables and energy storage, have further fuelled this optimism. The region's focus on climate change adaptation and building resilient infrastructure to withstand extreme weather has bolstered confidence in the sector's future. These developments are positioning the Lower North Island as a key player in the transition to clean, sustainable energy. Rail has seen the largest drop in optimism, indicating the impact of ongoing service disruptions, ageing infrastructure and uncertainty over funding.

South Island, excluding the Canterbury region

Outside the Canterbury region, optimism remained low —similar to 2022—across most sectors. However, the energy sector is experiencing growth, driven by efforts to modernise the grid and invest in renewable energy, particularly hydropower and wind. As tourism recovers, infrastructure projects in regions like Queenstown and Nelson are boosting optimism in the construction and services sectors.

Proportion of respondents expecting increased building investment by region



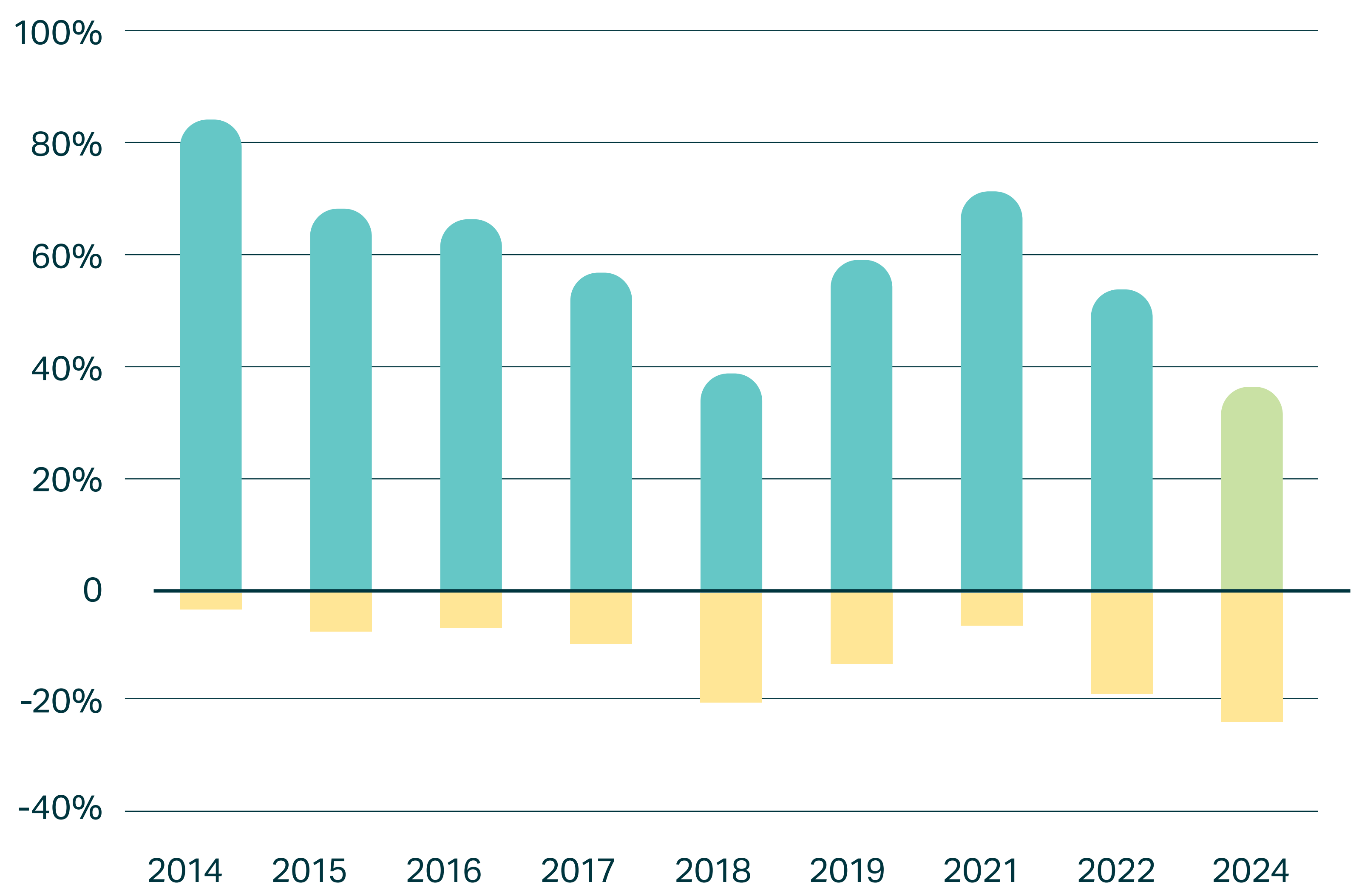
Buildings market

Confidence in investment and delivery is currently low, compounded by reduced government spending.

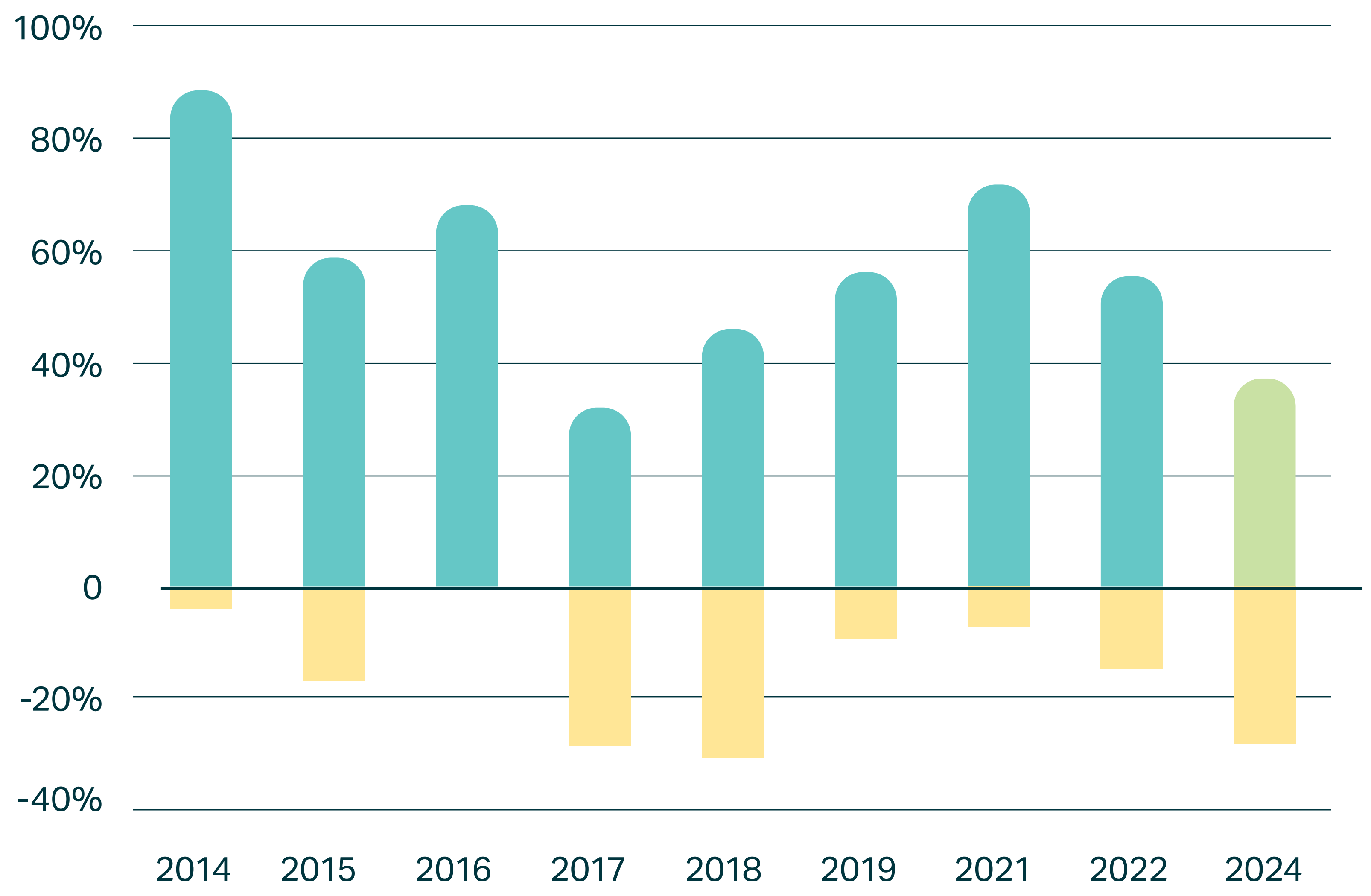
The construction sector, in particular, has seen the highest number of pessimistic respondents since the inception of this report. Two-thirds of participants cited challenges such as funding difficulties, escalating costs, pipeline uncertainty, political pressures to fast-track projects without proper planning, insufficient consultation, workforce limitations, shifting government priorities, and a narrow contractor pool.

Buildings outlook

Investment market views



Delivery market views



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Delivery by region and sector – buildings market

Overall expectations by sector

Sentiment across New Zealand has significantly decreased, likely driven by governance challenges, infrastructure issues, and public sector layoffs following the recent change in government. The construction industry has experienced a sharp downturn due to shifts in government policy, uncertainty around funding pipelines, and budget constraints. Public infrastructure projects, especially in education and healthcare, have been delayed by recent public spending cuts. Rising construction costs, exacerbated by inflation and supply chain disruptions, are impacting project affordability, causing delays and cancellations. Despite increased immigration efforts, skilled labour shortages persist in specialised fields like healthcare, further extending construction timelines, inflating costs, and reducing confidence in project completion.

Auckland and Northland

Optimism in Auckland and Northland's building construction sector has seen a significant decline, dropping from 38 percent in 2022 to 21 percent in 2024. Education and healthcare sectors have experienced the sharpest downturn, with optimism for education projects falling from 64 percent in 2022 to 23 percent in 2024, and healthcare projects from 91 percent to 38 percent over the same period. Contributing to this decline are economic pressures, including inflation, high interest rates, and disruptions to supply chains. Furthermore, shifting government priorities and reduced funding for public infrastructure have introduced more cautious planning, dampening optimism for timely, within-budget project delivery. These sectors, heavily reliant on government investment, face increased uncertainty amid tightened budgets and more conservative fiscal approaches.

Waikato and Bay of Plenty

The Central North Island region has maintained the highest level of sentiment across New Zealand, with the least decline across sectors. Optimism in the residential construction sector in Waikato and the Bay of Plenty has risen, driven by several factors, including robust local economies, growing housing demand, and efforts to mitigate housing shortages. Waikato, in particular, is expected to see the largest population growth in New Zealand over the coming decades. This growth is fuelled by Hamilton's strong economic performance, which is underpinned by notable expansions in healthcare, manufacturing, and construction. Waikato's diverse economy, combined with infrastructure developments like the Ruakura Superhub and residential and commercial expansions in areas such as Rotokauri, foster job creation and enhance regional connectivity, further boosting the region's economic prospects.

Lower North Island

The outlook for the Lower North Island reflects the highest level of pessimism in New Zealand, with declines in optimism across all sectors. Notably, the education, healthcare, and public infrastructure sectors have seen the steepest drops in confidence. This is due to a combination of factors. In education, underfunding and delays in infrastructure projects are significant concerns. The healthcare sector is grappling with workforce shortages, strain on existing facilities, and prolonged infrastructure upgrade delays as the government implements its organisation changes to the health sector. Public infrastructure projects have faced frustrations around the slow pace of transport upgrades and challenges in meeting the growing demand for better public transport networks. These issues have collectively led to a decline in confidence across these crucial sectors.

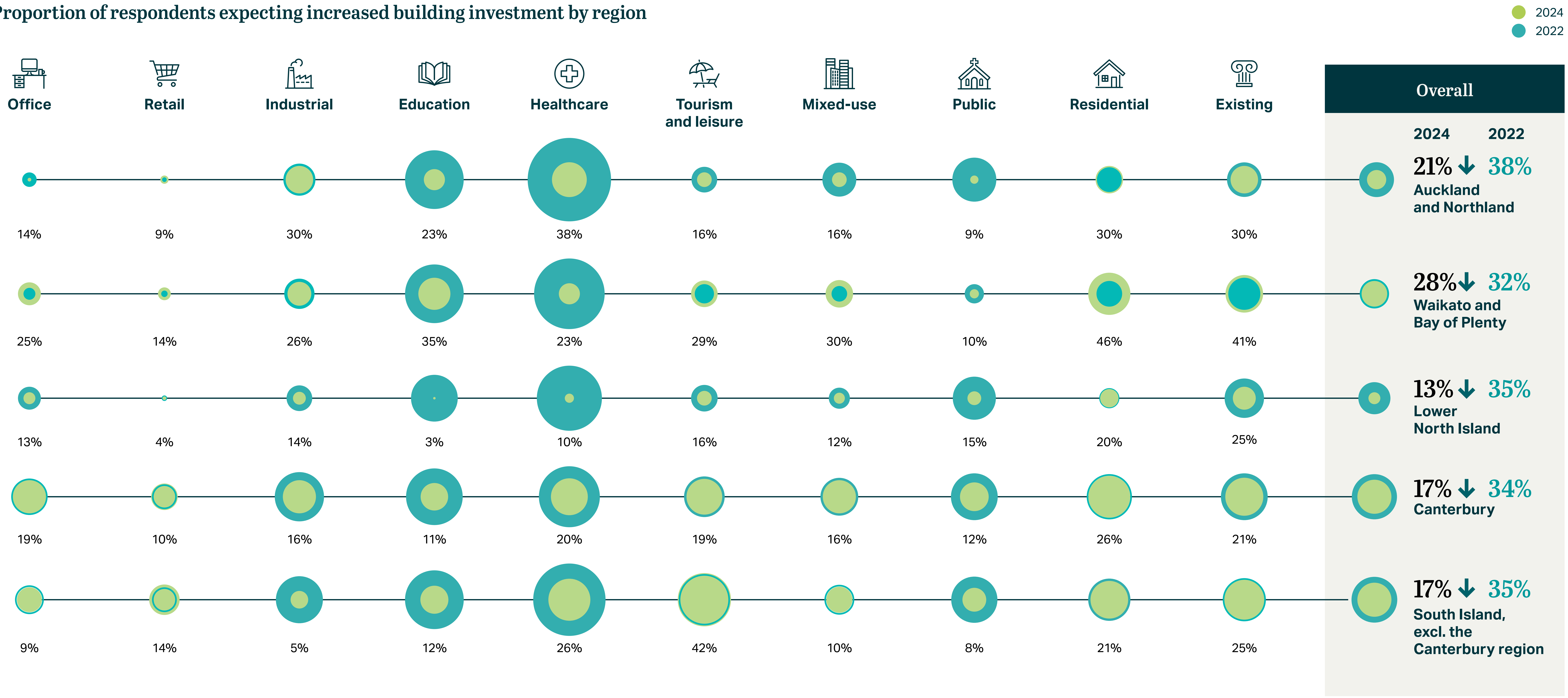
Canterbury

The outlook for Canterbury's construction industry is mixed, mirroring national trends. The region has faced delays due to a combination of supply chain disruptions, labour shortages, rising costs, higher interest rates, and budget constraints. Major projects like the Christchurch Hospital's Waipapa Building (Tower 3) and the Te Kaha Arena have been impacted. While Christchurch has largely returned to business-as-usual following the earthquake rebuild, construction volumes have declined, and the slowdown has been compounded by setbacks in Ministry of Education projects and Kāinga Ora public housing developments. These delays are largely due to the government entities reviewing their operations and adjusting to shifting priorities. However, many respondents remain optimistic about Canterbury's construction future, expectations of growth from 2025 onward. This is anticipated to be driven by increased infrastructure development, notably with the establishment of the National Infrastructure Agency (NIA).

South Island, excluding the Canterbury region

Outside Canterbury, optimism in New Zealand's construction sector has declined since 2022, particularly in the industrial, education, healthcare, and public infrastructure sectors. A key factor contributing to this decline is uncertainty around government funding, especially for large-scale infrastructure projects in education and healthcare. The slowdown in public spending, coupled with political shifts and rising construction costs, has led to delays in projects like the Dunedin Hospital rebuild. These challenges, including cost pressures and funding uncertainties, are significantly affecting project progress.

Proportion of respondents expecting increased building investment by region



Industry spotlight

Nationwide industry challenges

A closer look at barriers impacting New Zealand's infrastructure sector.

New Zealand's infrastructure, construction and energy sectors as well as local councils are grappling with a range of ongoing challenges. These include a persistent shortage of skilled workers, rising costs driven from inflation and material shortages, and regulatory uncertainties, particularly in relation to government-funded projects.

Top industry challenges

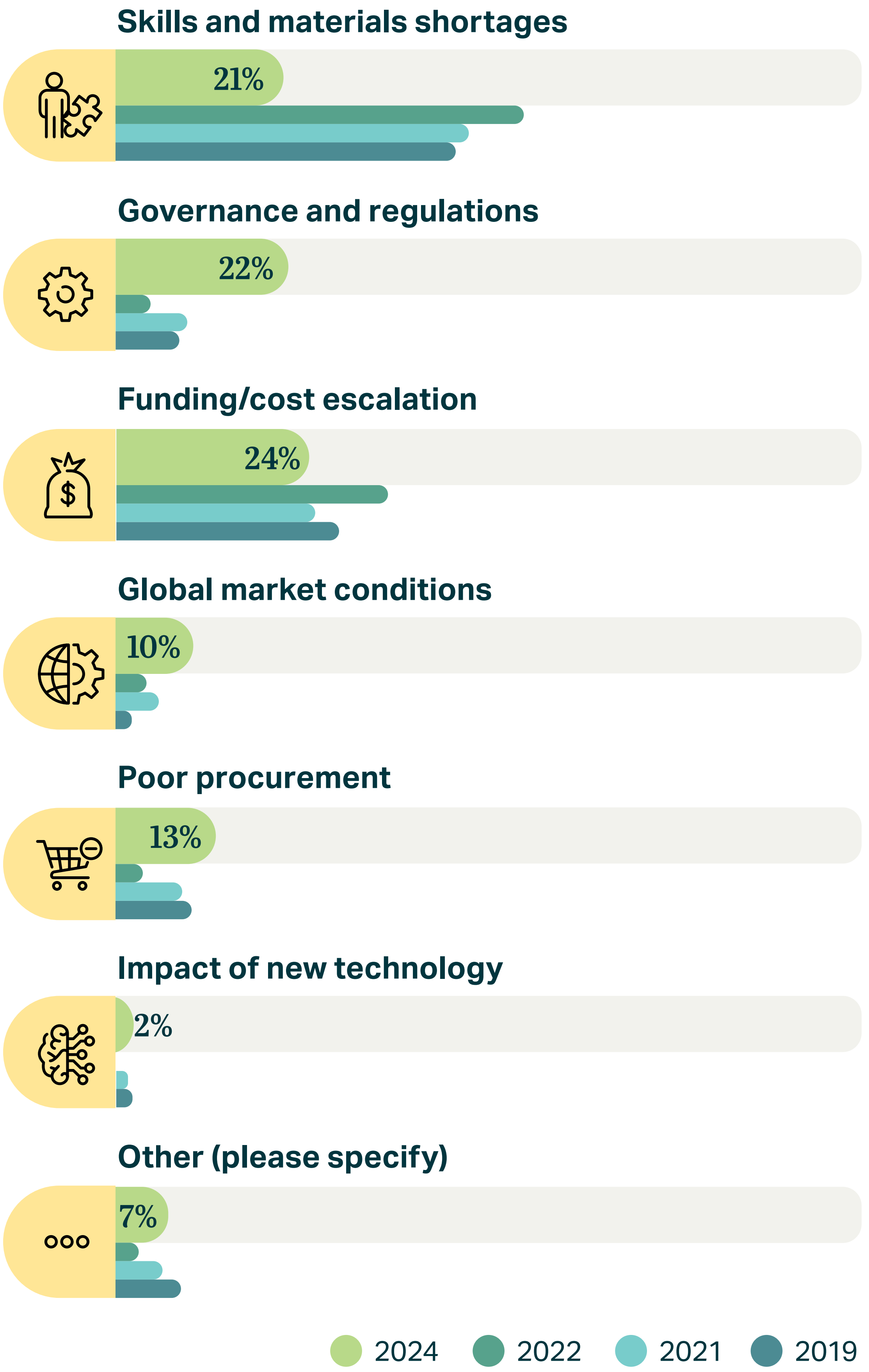
This year's survey reveals that challenges related to governance and regulations, poor procurement and global market conditions have increased compared to previous years. Governance and regulatory challenges in New Zealand's construction sector have increased sixfold since the last survey, with leaders highlighting growing concerns about excessive regulations and slow decision-making. This uptick reflects broader issues in the market, including economic uncertainty and delays in key reforms compared to 2022's survey results. The number of respondents citing poor procurement practices and global market conditions has doubled compared to 2022's survey results. Key challenges identified include funding issues, uncertainty in project pipelines, political pressure to fast-track projects without adequate planning, insufficient consultation, workforce constraints, shifting government priorities, and a limited pool of contractors. These factors are further exacerbated by political conflicts.

Global market conditions, including inflation and material cost fluctuations, continue to be a significant issue, as well as the inefficiencies in procurement processes.

Despite challenges posed by global market conditions and procurement processes, there are notable opportunities for improvement and growth within New Zealand's infrastructure and construction sectors. Global supply chain disruptions, material cost fluctuations, and inflation, which have been influenced by international trends and geopolitical factors, have highlighted the need for more resilient and adaptive strategies. The sector has made significant strides in adjusting to these changes, with an increased focus on diversifying supply chains, fostering innovation in materials, and implementing more robust cost management practices.

Procurement practices are evolving to become more efficient and transparent, with a growing emphasis on refining models to focus on value for money and improve long-term project outcomes. However, there has also been a shift towards a more dollar-focused approach, with some government entities, such as the Ministry of Education, increasingly using pricing as a weighted criterion in new projects. This reflects a tension between short-term financial considerations and the broader goal of delivering lasting value through strategic procurement. Many stakeholders, including government agencies, contractors and suppliers, are advocating for a more strategic, collaborative approach to procurement that encourages competition and fosters more robust partnerships between the public and private sectors. This approach aligns with broader efforts to streamline procurement processes, reduce inefficiencies, and promote innovation in construction and infrastructure projects.

While respondents highlighted funding and cost escalations, as well as skills and material shortages, they also cited funding uncertainty, unclear project pipelines, and political pressures to fast-track projects without sufficient planning as prominent barriers.



Governance and regulations cited sixfold since 2022.

Investment Drivers

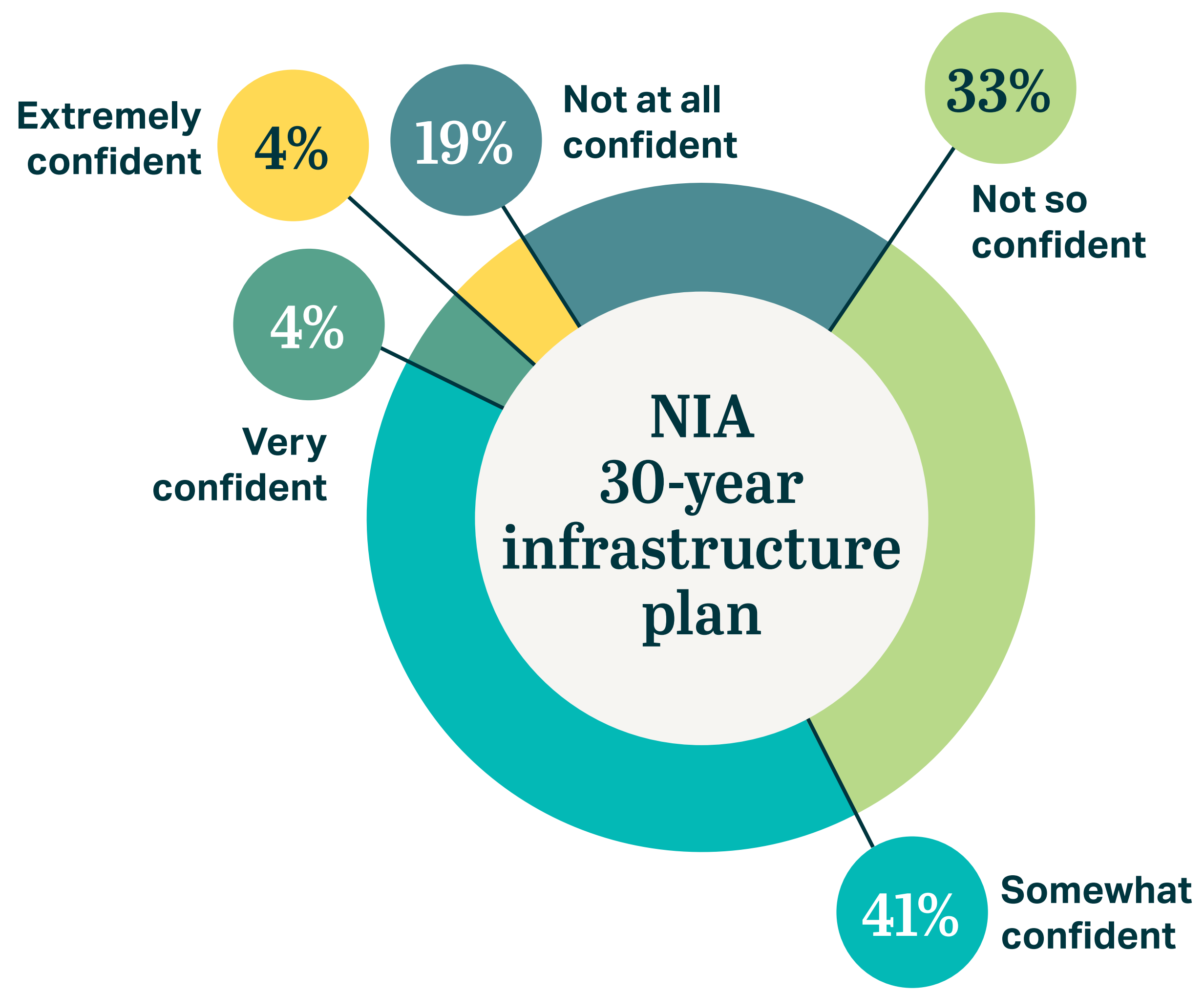
Challenges and opportunities shaping New Zealand's infrastructure funding landscape.

Despite cautious optimism, many hope that long-awaited industry reforms will address concerns around political cycles and the stability of New Zealand's infrastructure pipeline.

At the 2024 Building Nations conference, Hon Chris Bishop introduced the National Infrastructure Agency (NIA), highlighting its focus on a 30-year infrastructure plan. Respondents were asked about their confidence in its ability to address New Zealand's future infrastructure needs effectively.

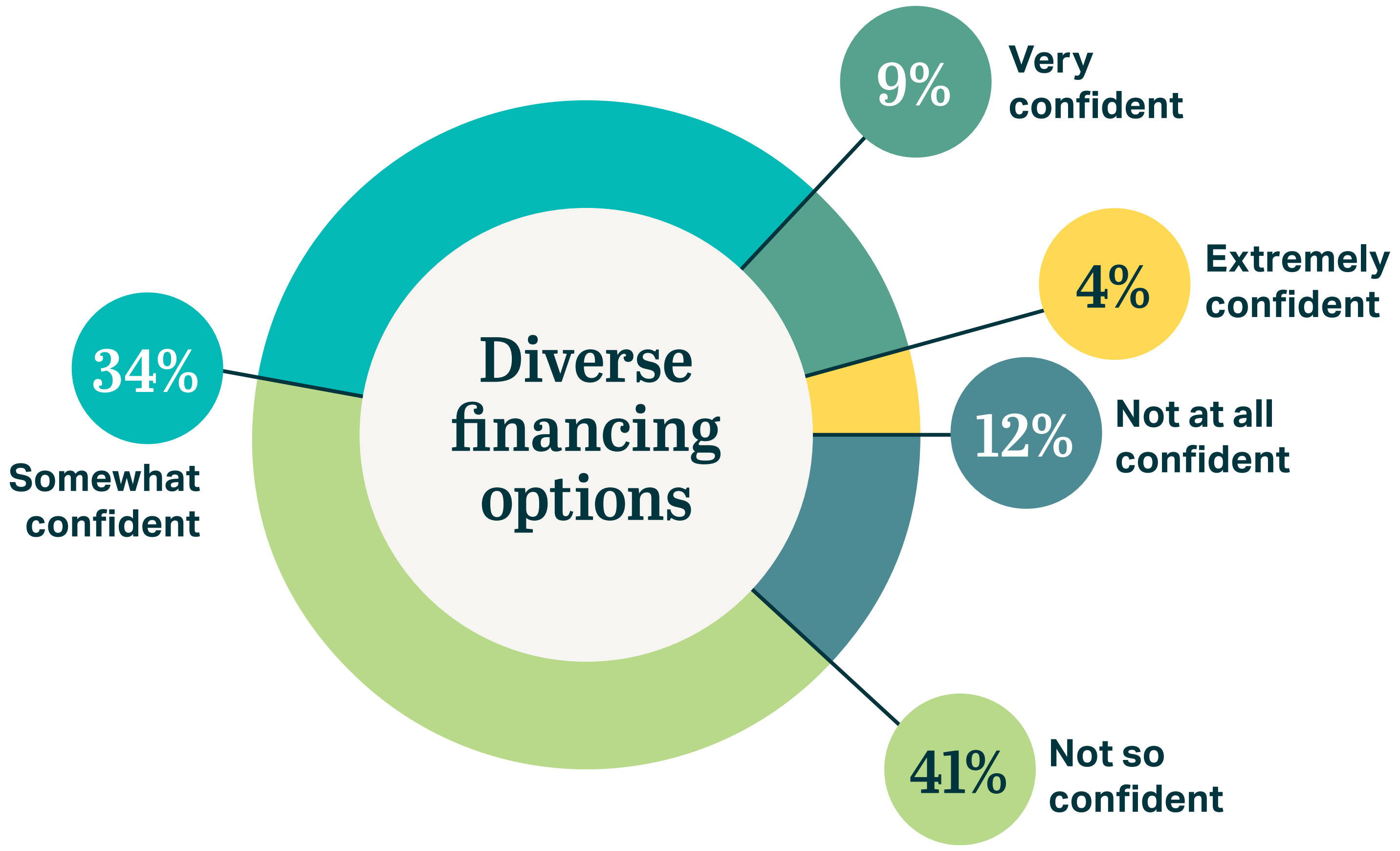
The overall sentiment was cautiously optimistic, with many expressing hope that the long-requested industry changes could alleviate concerns related to political cycles and the stability of the infrastructure pipeline. However, half of the respondents remained uncertain, reflecting ongoing scepticism about the implementation and long-term impact of these reforms. This mixed sentiment underscores the need for clear, consistent action to ensure the plan's success in delivering sustainable infrastructure solutions for the future.

Respondents were also asked about their confidence in the government's ability to implement diverse financing options over the next three years—such as equity investments, public-private partnerships, and build-operate-transfer models—to support the construction of critical infrastructure in New Zealand. The responses were split evenly between those who expressed confidence and those who did not. This division suggests that the industry remains cautious or uncertain about the government's ability to deliver on its promises of alternative financing solutions. It is clear that achieving this will be a complex challenge, requiring thoughtful planning and careful execution to ensure successful outcomes.



The industry remains uncertain about the government's ability to deliver on its promises of alternative financing solutions.

Confidence in alternative financing options such as PPPs and equity investments.

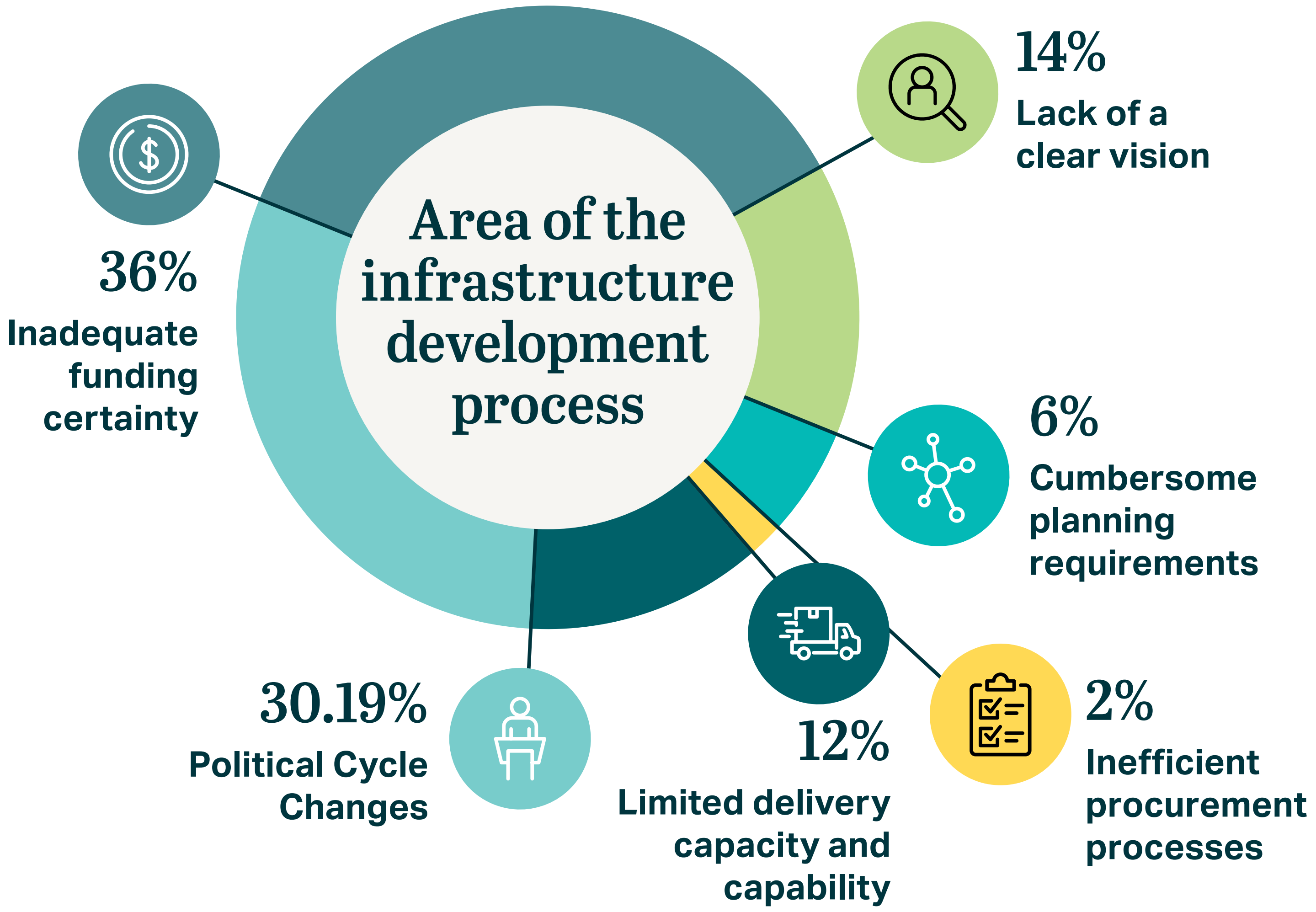


The biggest challenges for investment drivers were often linked to the political cycle and the lack of consensus between local and central governments, which were frequently mentioned as significant barriers. Many respondents also expressed a lack of confidence in public-private partnerships (PPPs), believing that these models may not be executed effectively in New Zealand and could ultimately delay infrastructure delivery, potentially leading to higher costs. The sentiment on this front was largely negative, with little optimism expressed in the comments.

Respondent confidence in diverse financing options remains mixed, with 41% not so confident.

There is no single dominant issue regarding the factors causing delays in infrastructure development, but several interrelated factors stand out. The two most significant contributors to delays were identified as inadequate funding certainty and the political cycle. Respondents identified inadequate funding certainty and the political cycle as the two most significant contributors to delays. These two challenges are deeply connected, as changes in political leadership do create uncertainty around long-term funding commitments, further complicating planning and execution for infrastructure projects.

Top concerns in the infrastructure development process as identified by respondents.



Local authorities

Since the last update in 2022, local government in New Zealand has undergone significant changes. The ***Future for Local Government review*** remains a key focus, addressing how local councils can tackle both current and future challenges, including sustainability, inclusivity, and effective governance.

A central element of the review is updating local government structures to enhance transparency, accountability, and responsiveness to community needs. There is still notable emphasis on strengthening partnerships with Māori communities and advancing leadership in climate adaptation. The review also highlights the need for improvements in service delivery and the financial sustainability of local councils.

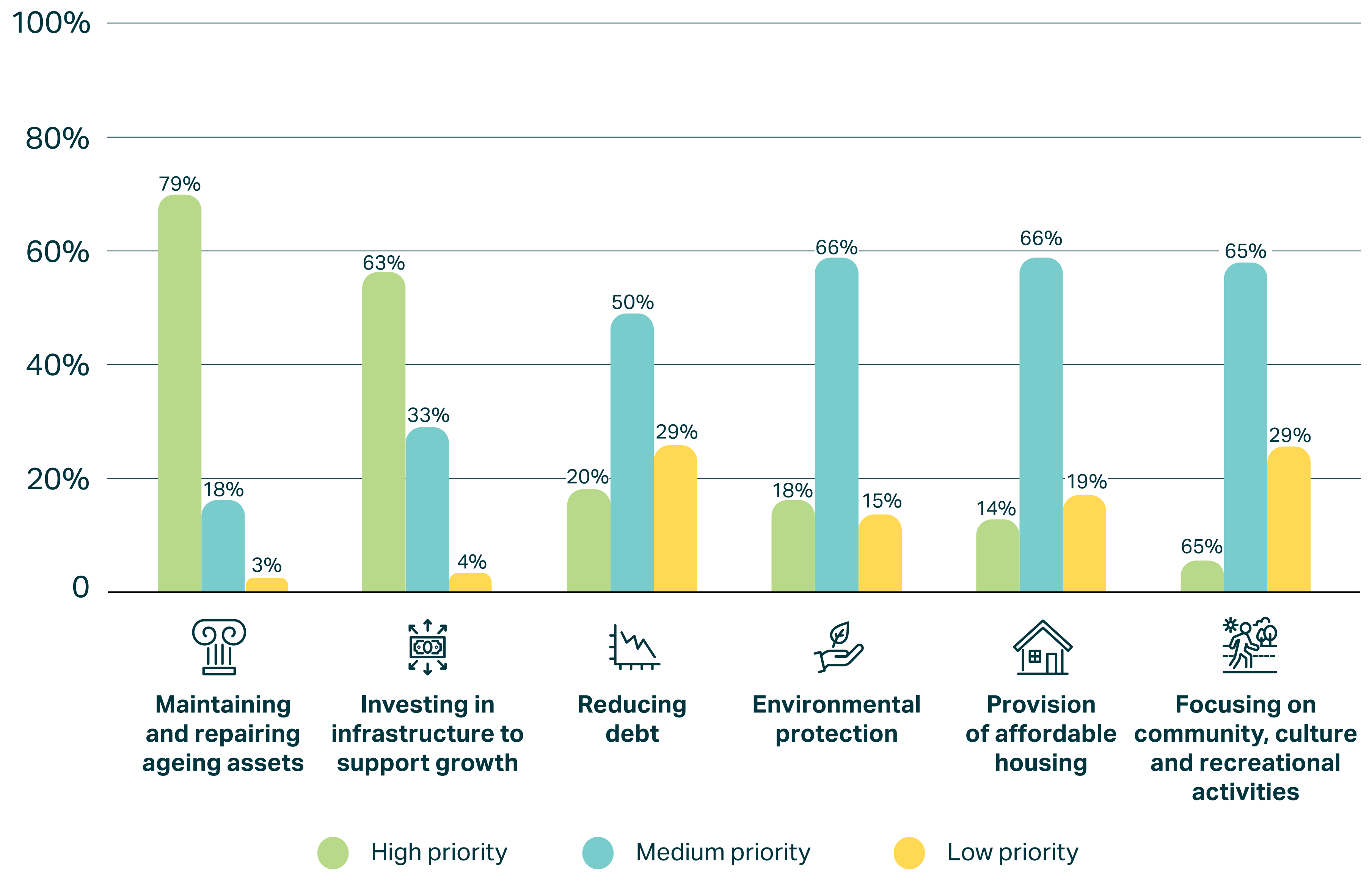
New legislation, such as the *Infrastructure Funding and Financing Act* and the *Urban Development Act*, has been introduced to support these objectives. These acts aim to provide local governments with tools to address infrastructure development while tackling the historical underinvestment in critical services. A key priority is on long-term planning and the development of better funding mechanisms. This includes efforts to enhance resilience to climate change and natural hazards, supported by both national and local adaptation plans.

Key priorities

We asked respondents to identify the areas local authorities should prioritise. An overwhelming 97 percent of respondents identified maintaining and repairing ageing assets, and 96 percent of respondents emphasised the need to invest in infrastructure to support growth. These findings reflect concerns about the poor state of New Zealand's ageing infrastructure and the growing pressure from population increases over the past decade, which have placed additional strain on existing systems. As urban intensification continues, local governments must focus on preserving existing infrastructure and developing new assets to meet rising demands.

Respondents also expressed concerns about the lack of reliable underground data, which is essential for the long-term maintenance and future-proofing of infrastructure systems. The absence of accurate and accessible mapping of underground utilities has been identified as a barrier to effective infrastructure management, making it difficult for local authorities to plan, maintain, and upgrade infrastructure without the risk of costly disruptions. This issue has been highlighted in multiple reports, including those from the *New Zealand Infrastructure Commission*, which calls for improved data systems to ensure that infrastructure projects are efficient, safe, and sustainable.

What priority should local authorities give to the following areas?



Transport

Advancing infrastructure and policies for a sustainable transport future in New Zealand.

Since our last report in 2022, New Zealand's transport sector has seen notable advancements in infrastructure and policy, reflecting a focus on safety, sustainability, and economic growth. The 2024 *Government Policy Statement (GPS) on Land Transport* introduces a $22 billion plan over three years, with initiatives spanning road maintenance, public transport, and strategic projects.

Notably, funding for road maintenance has significantly increased, with a 91 percent boost for state highways and 50 percent for local roads to enhance road resilience and safety. Public transport also received a 41 percent funding increase to improve service reliability and expand connectivity, particularly in metropolitan rail and freight networks between Auckland, Hamilton, and Tauranga.

While these investments address immediate needs, sustainable transport solutions have faced historical underfunding. Despite the *Emissions Reduction Plan's* ambitious goal to cut transport emissions by 41 percent by 2035, low-carbon solutions, such as active transport networks and zero-emission vehicles, remain underdeveloped. For instance, only 1.1 percent of the light vehicle fleet comprises low or zero-emission vehicles, highlighting the slow adoption despite earlier incentives like the *Clean Car Discount* before it was discontinued at the end of 2023. Moreover, ongoing reliance on road-centric projects challenges the broader transition to sustainable mobility.

The reintroduction of Roads of National Significance (RoNS) and new Roads of Regional Significance (RoRS) aligns with the GPS's emphasis on boosting regional economic resilience. However, the sector continues to grapple with funding certainty and planning coordination, which are crucial for effectively integrating sustainability into transport infrastructure. These developments aim to balance economic growth with long-term environmental objectives, laying a stronger foundation for New Zealand's transport future.

91%

funding boost for highways emphasises New Zealand's focus on road resilience.

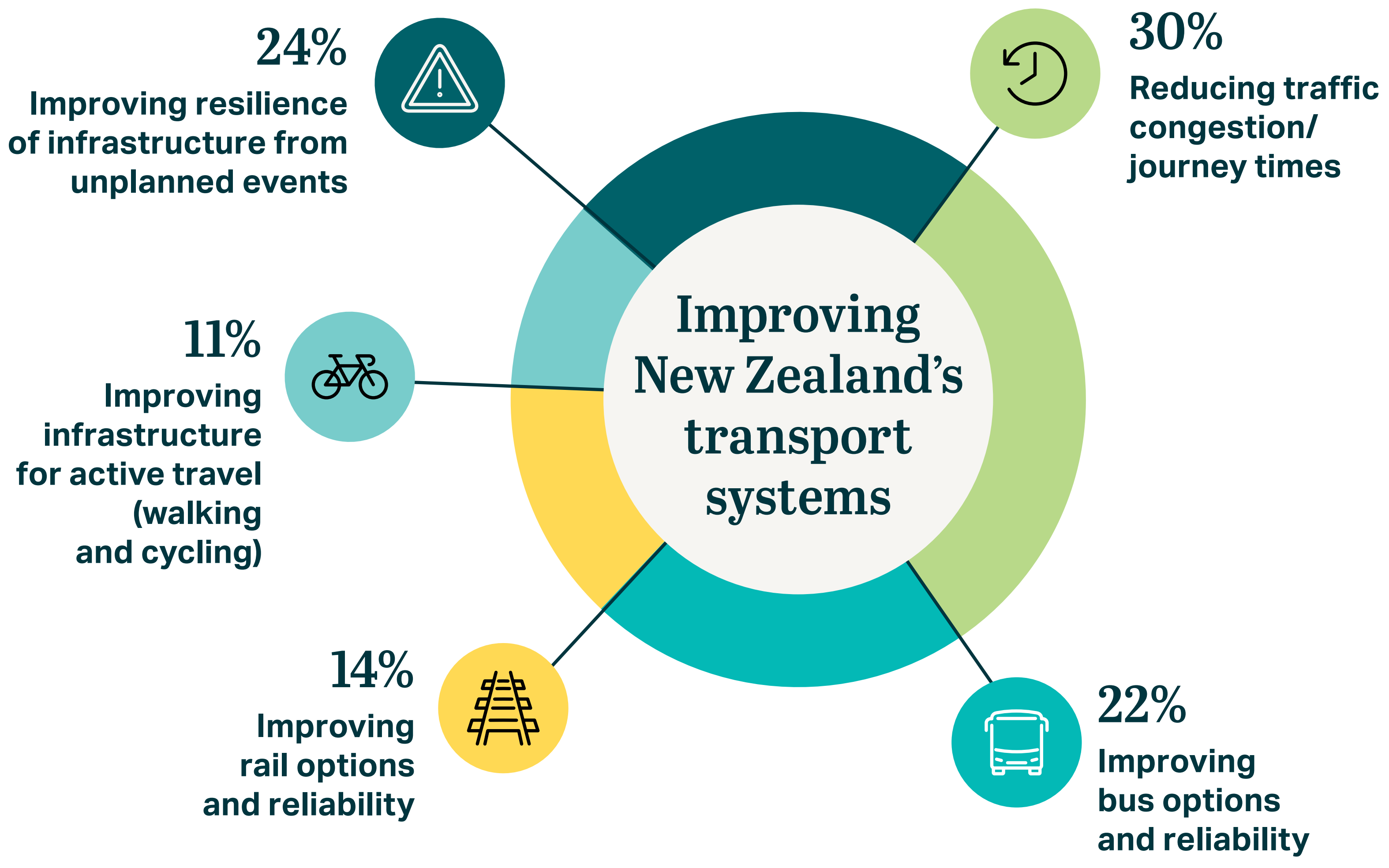
Sustainable transport options

We asked respondents which area they consider most important for improving our transport systems. The two most important priorities for participants are reducing traffic congestion and improving infrastructure resilience, highlighting an alignment between government policy direction and public sentiment.

Reducing traffic congestion and improving infrastructure resilience are key priorities that align closely with the 2024 GPS's strategic objectives. These objectives, target economic growth and productivity through initiatives such as RoNS and RoRS to improve connectivity and reduce congestion across critical transport corridors. Investments in rapid transit systems, like the Eastern Busway, City Rail Link, Airport to Botany and the Northwest Rapid Transit corridor, further support the shift from road reliance by expanding accessible public transport options.

Infrastructure resilience has been elevated as a strategic priority, with increased funding for road maintenance and enhancements to address vulnerabilities exacerbated by extreme weather events like Cyclone Gabrielle. Investment in these areas will ensure critical transport routes remain operational, supporting safer, more reliable mobility networks.

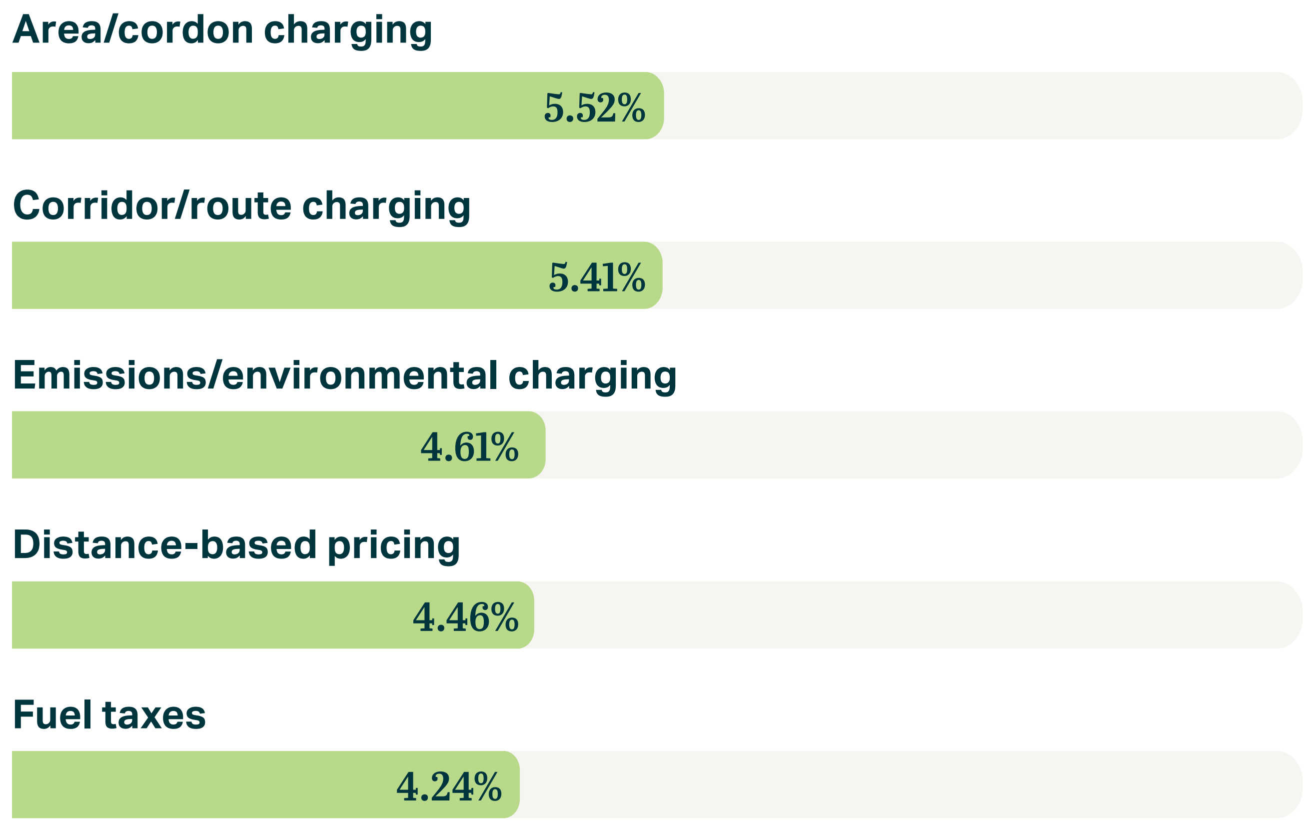
Top priorities for improving New Zealand's transport systems



Demand management solutions

Respondents were asked to evaluate various traffic management solutions that could be implemented quickly to alleviate congestion. Route and area charging emerged as the most popular options, reflecting a public preference for more localised and immediate traffic control measures rather than broader approaches like fuel taxes. This suggests that people favour strategies that directly target congestion at specific hotspots rather than general taxes or charges that may not have the same immediate impact. Conversely, the "do-nothing" approach was rated least favourably, indicating a strong desire for action to address traffic issues. These findings highlight growing public support for more targeted, proactive traffic management solutions to improve congestion and overall traffic flow.

Evaluating Traffic Management Priorities



Reducing traffic congestion/journey times and improving infrastructure resilience are key priorities.

Sustainability and resilience

Building infrastructure for a resilient, sustainable future.

New Zealand's infrastructure sector has shown resilience but now faces growing challenges from climate change and natural disasters.

As an industry that has demonstrated resilience and sustainability in the face of natural disasters and technical failures, New Zealand's infrastructure sector continues to face new and evolving challenges. The extreme weather events of 2023, including Cyclone Gabrielle, underscored the urgent need for infrastructure that can withstand the growing impacts of climate change.

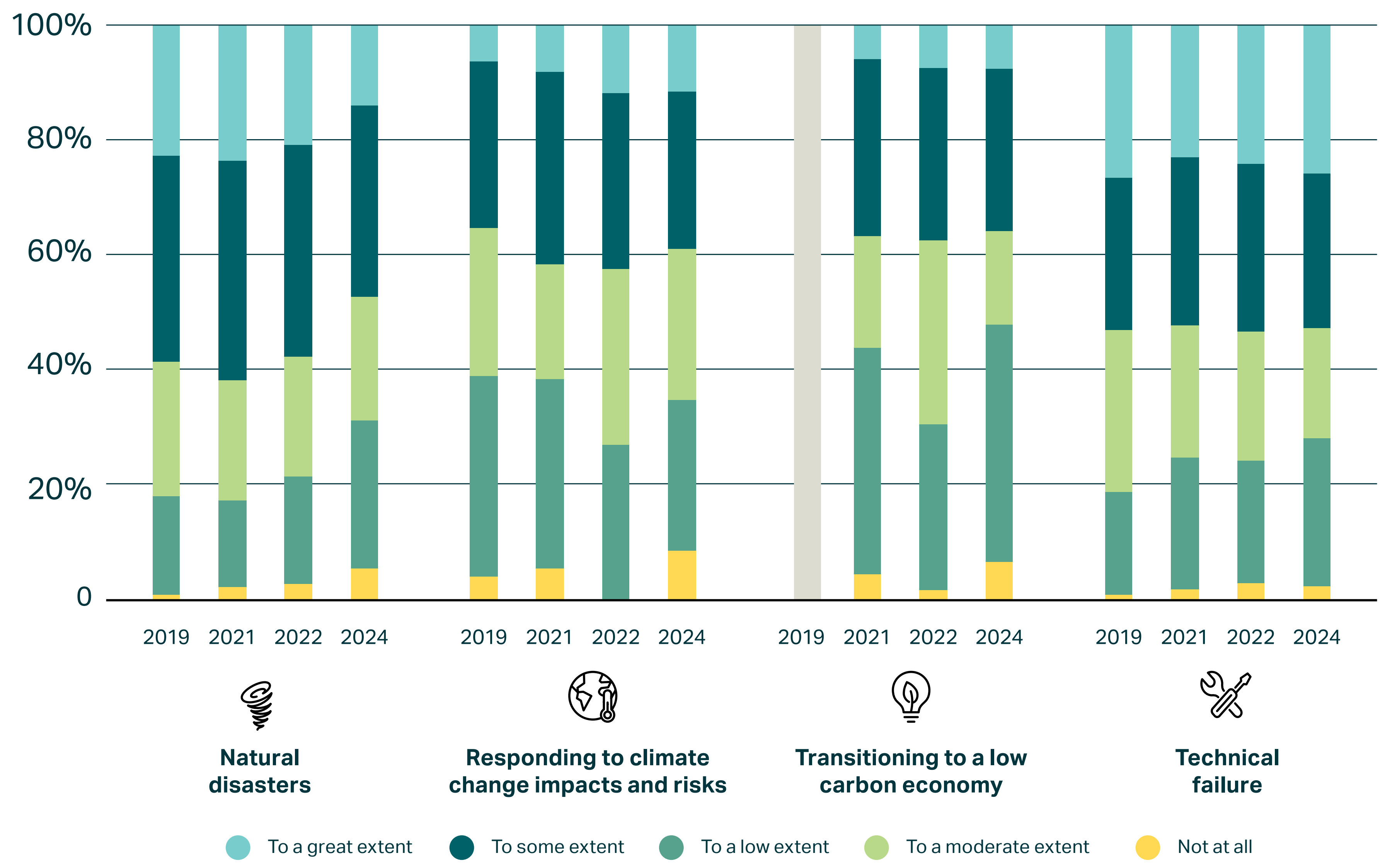
In response, the industry is increasingly focused on integrating environmental, social and governance (ESG) considerations to create long-term solutions that are both resilient and sustainable. This shift prioritises not only recovery from extreme weather but also the development of infrastructure that supports broader sustainability goals, ensuring that roads, bridges, and public transport systems are equipped to handle future challenges. Strategic investment into key initiatives will lay the groundwork for an infrastructure network that can meet today's needs while safeguarding the wellbeing of future generations.

Investment planning for sustainability and resilience

More than half of the respondents continue to prioritise transitioning to a lower-carbon economy and addressing climate change impacts, consistent with the focus highlighted in the 2022 survey. However, there has been a notable increase in respondents since 2022 who view these priorities as being of lesser importance. A consistent challenge highlighted is the lack of a clear vision and commitment from the government, which many feel obstructs long-term progress. While New Zealand has established a framework and ambitious targets for climate action, inconsistent policies, slow implementation, and gaps in critical sectors hinder the clarity and commitment needed to meet its goals effectively. Although securing funding remains a key issue, respondents see opportunities to align efforts across government, industry and communities to bridge these gaps. Community engagement is increasingly recognised as crucial, with many acknowledging the long-term benefits of investments in resilience, even if these outcomes aren't immediately visible.

Furthermore, evolving discussions on managed retreat are beginning to address more complex challenges, highlighting the need for sensitive handling of these issues within climate change strategies. Overall, respondents call for more strategic funding solutions and stronger communication to ensure the development of infrastructure that is both sustainable and resilient in the face of future challenges.

Extent sustainability and resilience is considered in planning of buildings and infrastructure



Respondents prioritise transitioning to a low-carbon economy while addressing climate impacts.

The challenges of responding to climate risks

When asked about the key challenges in responding to climate change, respondents pointed to significant risks such as flooding, sea level rise, and extreme weather events.

Again, one of the central challenges identified was the government's lack of a clear and committed climate change strategy, which respondents believe is limiting progress. Another recurring concern is the difficulty in securing adequate funding for necessary adaptation measures. Community support remains another critical challenge, particularly when it comes to securing resilience projects that may not yield immediate benefits. The issue of managed retreat was also raised, with respondents highlighting the complex and often contentious nature of these discussions in the context of climate adaptation. These challenges underscore the need for clearer policy direction, innovative funding mechanisms, and effective engagement strategies to support long-term infrastructure resilience.

Water–Local Water Done Well

Shaping the future of water infrastructure and sustainability in New Zealand.

New Zealand's water sector is in a period of disruption, with the introduction of ***Local Water Done Well (LWDW)***, a policy aimed at improving the management of water services. This approach replaces the former ***Three Waters Reform***, in favour of a more localised model of management and delivery.

Decentralising control enables greater control at the local level while also ensuring financial sustainability and long-term infrastructure planning. The focus is on strengthening local governance and fostering collaboration across communities to deliver sustainable, future-proofed water infrastructure that meets the needs of all New Zealanders.

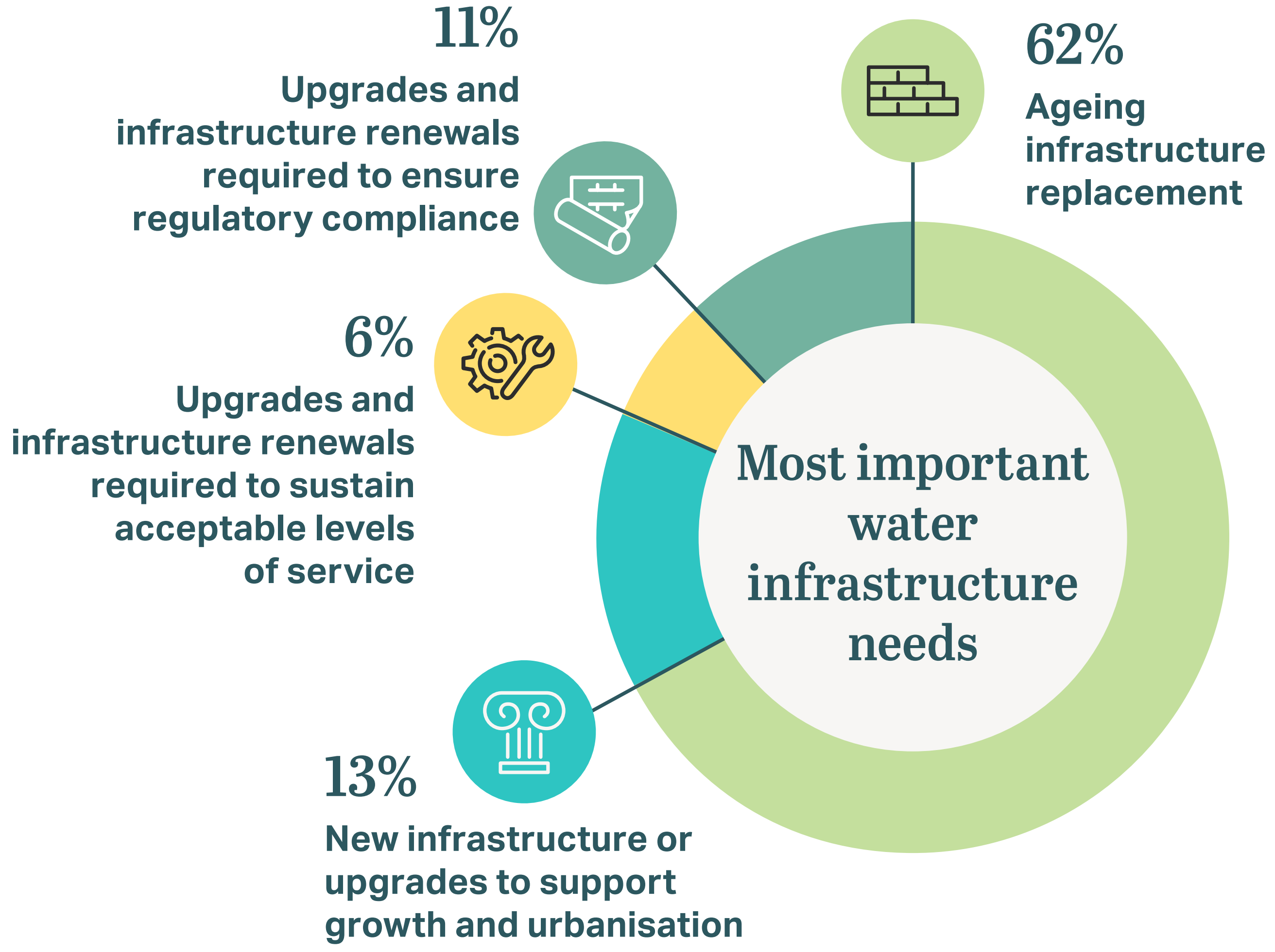
Water investment over the next decade

Respondents were asked to identify the most significant investment needs for three water infrastructures over the next decade. Replacing ageing infrastructure was ranked as the highest priority, with most respondents emphasising the need for ongoing maintenance and repairs to support infrastructure resilience. This focus on ageing assets is linked to New Zealand's broader infrastructure deficit, as much of the country's water supplies—such as pipes, wastewater treatment plants, and stormwater infrastructure—were built decades ago and are now reaching or exceeding their designed lifespans. As a result, there are increased costs for maintenance, operational inefficiencies, and more frequent service disruptions. The situation is further complicated by rising regulatory standards for drinking water quality and environmental protection, which older systems often struggle to meet. Investing in upgrades to ensure these systems can keep pace with current demand and future growth will be essential for the country's water infrastructure sustainability.

Financially sustainable water services

Respondents ranked achieving long-term water services delivery as a key priority, with funding and financing constraints identified as the most significant challenge. While climate change impacts and regulatory changes are acknowledged as risks, they are viewed as lower priorities compared to financial constraints. This highlights that securing adequate funding and financial mechanisms for water services is critical for long-term infrastructure stability, overshadowing concerns about climate change and regulatory changes.

Top priorities for water infrastructure investment over the next decade



62%
of respondents prioritised ageing infrastructure replacement.

Opportunities to enhance sustainable water service delivery

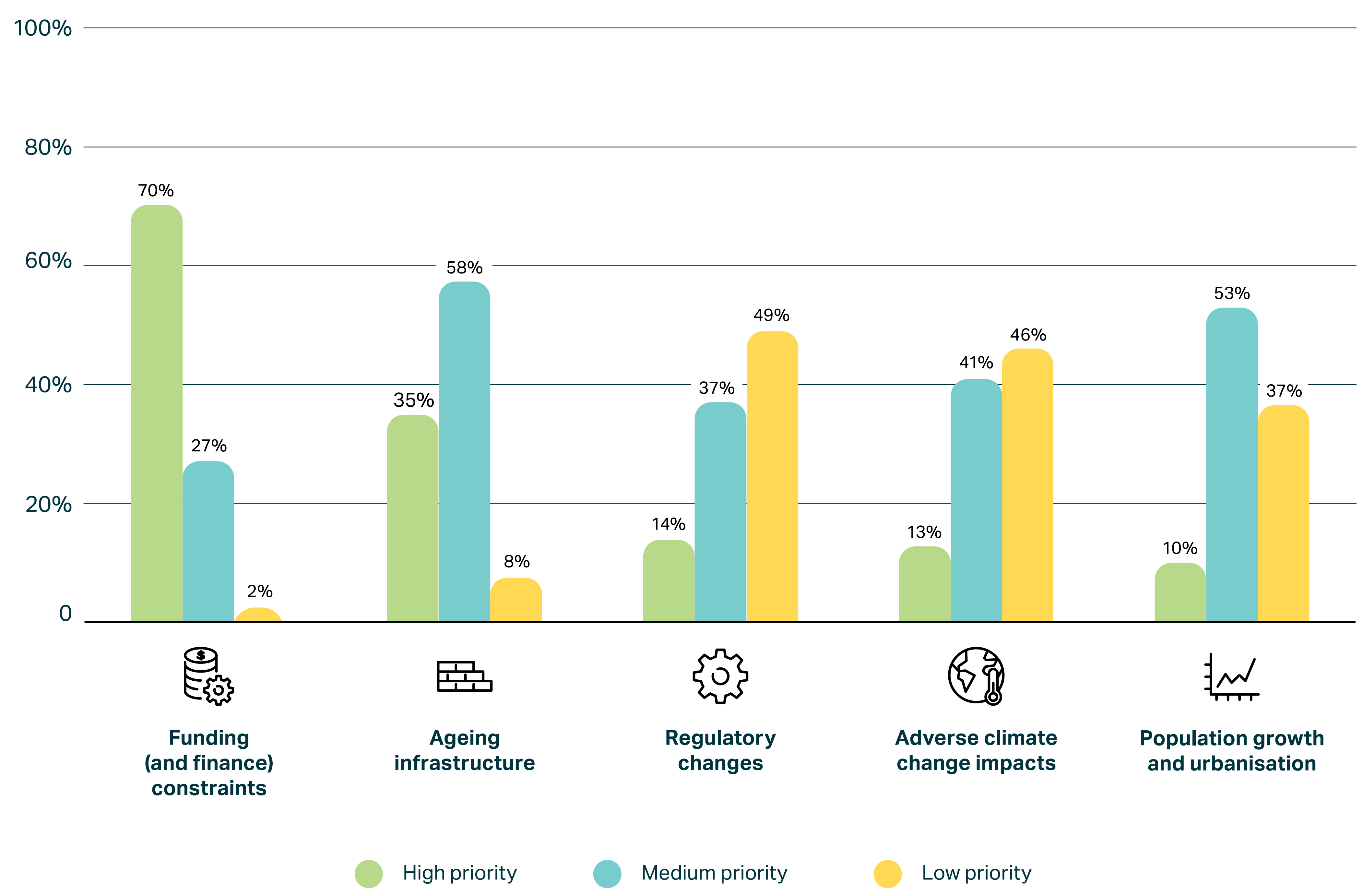
Respondents identified several key opportunities to enhance sustainable water service delivery through Council-Controlled Organisations (CCOs) or joint arrangements.

A common theme throughout the responses was the potential for scale and efficiencies in service delivery, which could streamline operations and reduce costs. Creating a consistent pipeline of work was also highlighted as an important factor in ensuring a steady flow of projects and investments. Many respondents also emphasised the value of removing political influence from water service management, allowing for more consistent and transparent decision-making. Overall, there was significant support for the CCO and joint arrangement models, as they offer collaborative solutions that can improve service delivery while promoting long-term sustainability and resilience.

70%

of respondents identified funding constraints as the greatest risk to achieving sustainable water services.

Significant challenges or risks to achieving water services delivery in the long-term



Energy

Driving the transition to a renewable energy future

New Zealand is accelerating its transition to a low-carbon economy with an ambitious focus on decarbonising energy, driven by both the need to address climate change and unlock greater economic opportunities.

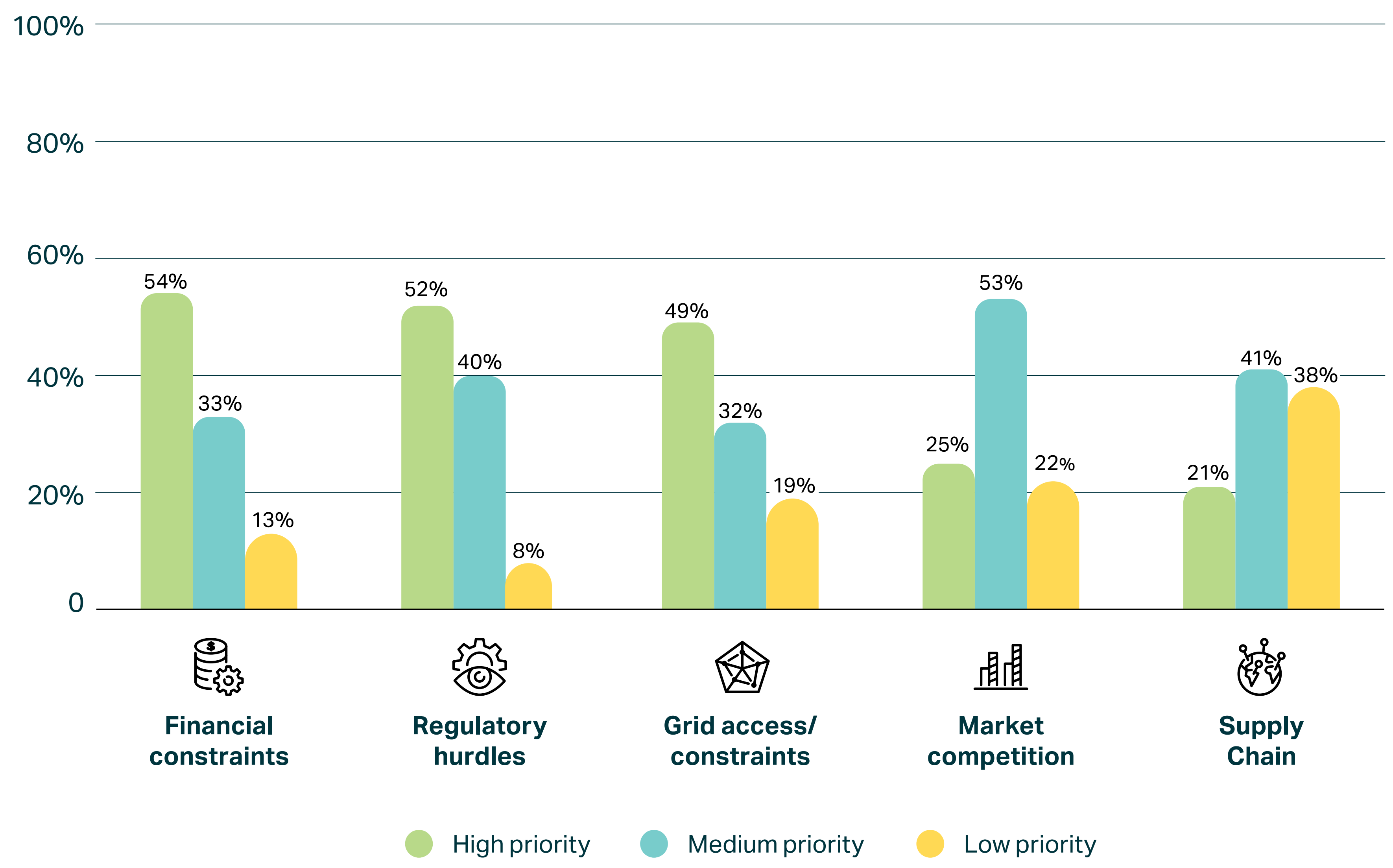
The government is committed to achieving net-zero emissions by 2050, a target that will require substantial investments in renewable energy capacity and supportive technologies.

Energy generation development

New Zealand must significantly expand its electricity generation capacity to meet 2050 climate targets. This involves leveraging its abundant renewable resources - such as wind, solar, hydro, and geothermal - to produce more electricity than needed for the net-zero target.

Respondents were asked to rank the key challenges facing new energy generation development in New Zealand's energy sector. Over 75 percent identified financial constraints and regulatory hurdles as the most significant barriers, reflecting the early-stage nature of projects in the development pipeline. Developers are primarily focused on securing regulatory approvals, obtaining grid connections and access, and securing financing. Financial constraints, driven by high capital costs, regulatory uncertainty, grid access issues, and market volatility, were seen as key obstacles to the financial viability of renewable investments. These concerns were followed closely by grid access and constraints, with respondents noting that limited infrastructure and capacity to integrate new renewable generation sources are also significant challenges.

Key Challenges for Renewable Energy Generation



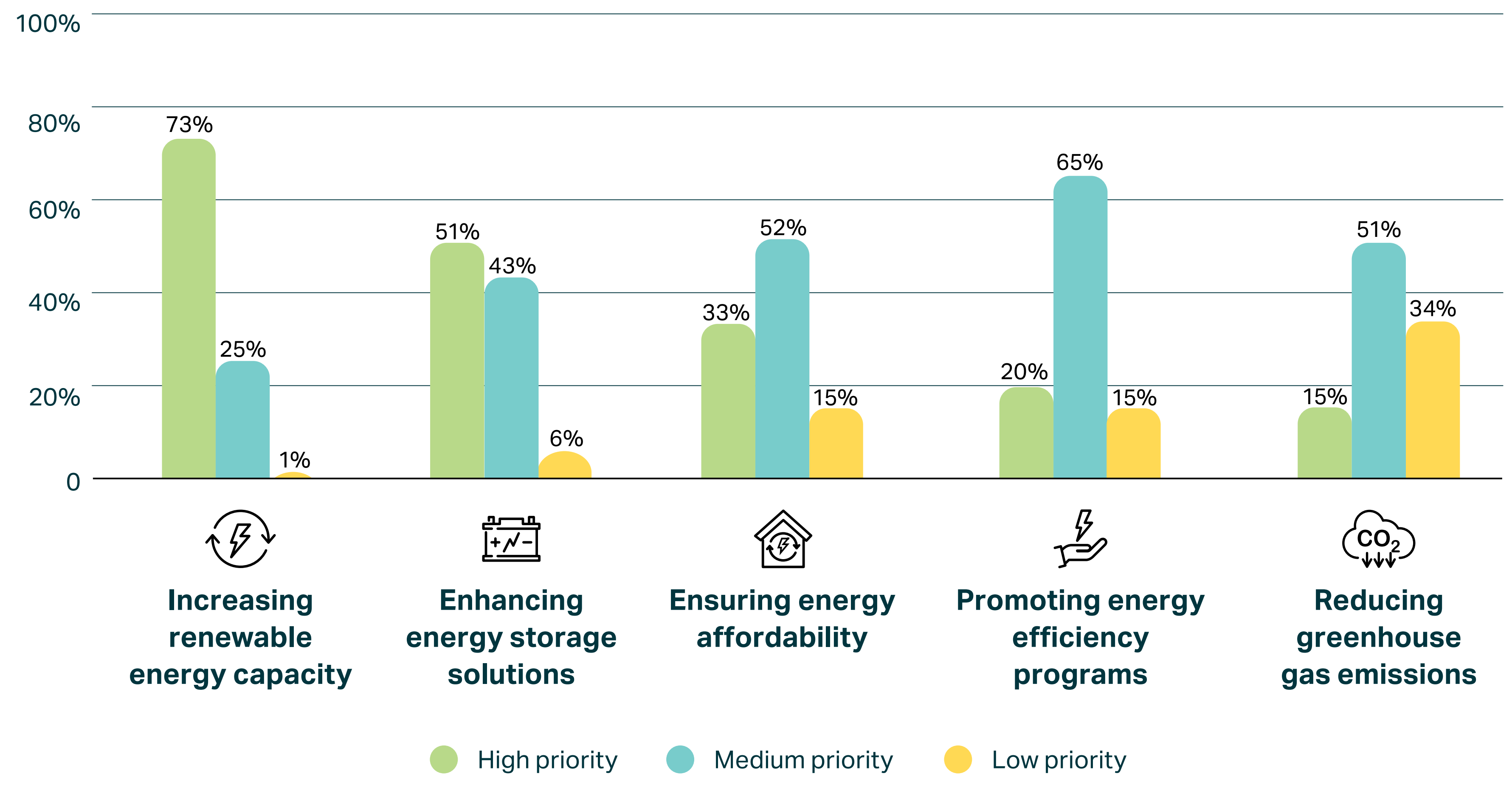
Over 75% of respondents identified financial constraints as the most significant barrier and regulatory hurdles.

Priorities over the next five years

Respondents were asked to rank New Zealand's top energy priorities for the next five years, with nearly half highlighting increasing renewable energy capacity as the most critical focus.

This is particularly interesting given the New Zealand business sector's strong advocacy for energy affordability, likely driven by rising operational costs. The ranking reveals a disconnect between broader industry priorities focused on long-term energy sustainability and the more immediate concerns of businesses regarding the cost of energy.

New Zealand's top energy priorities over next 5 years



Key priorities identified

- Increasing renewable energy capacity.
- Enhancing energy storage solutions to stabilise the grid.
- Ensuring energy affordability amid rising costs.
- Promoting energy efficiency programs and reducing emissions.

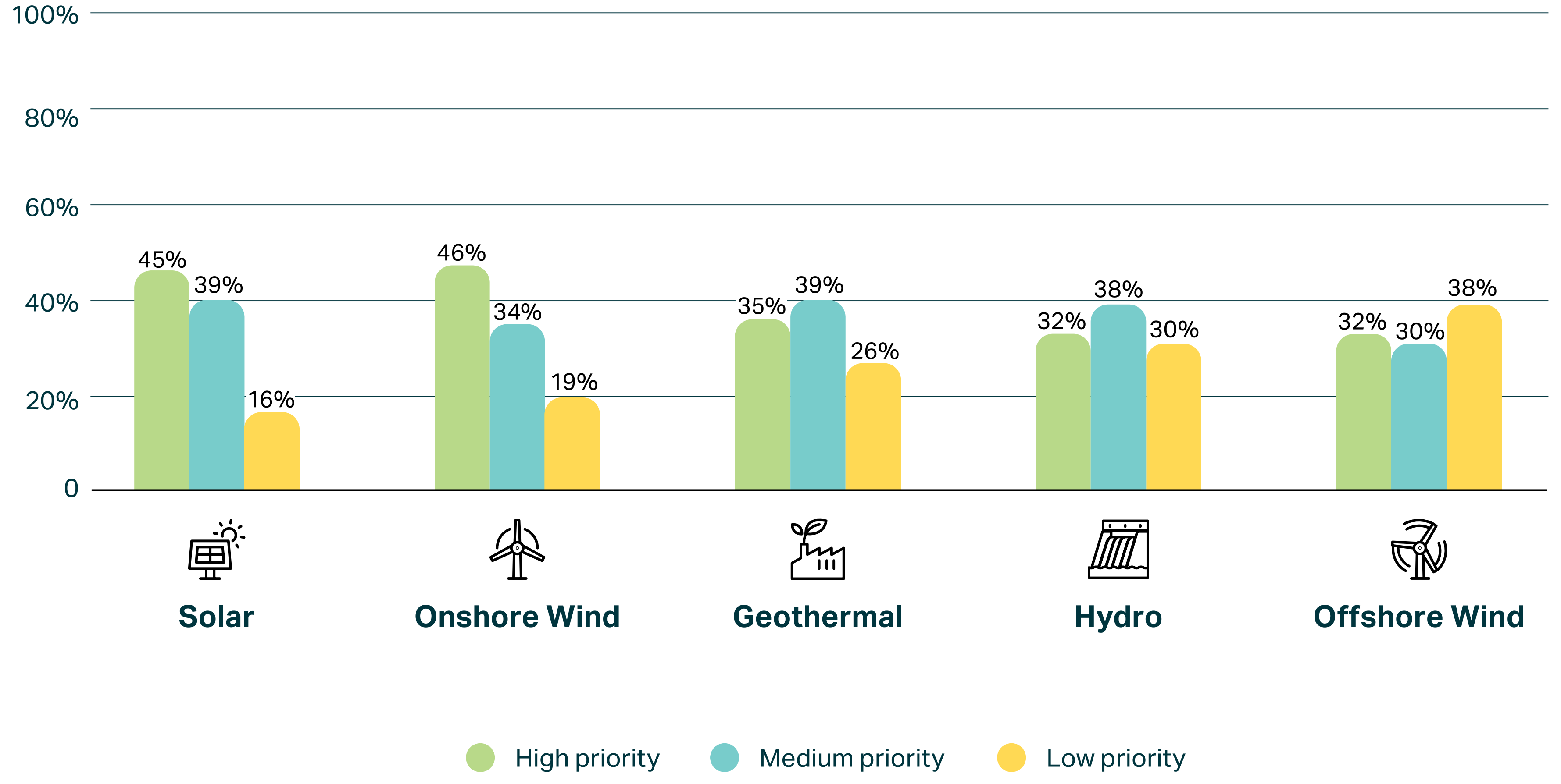
73% of respondents ranked increasing renewable energy capacity as the most critical priority.

Renewable energy sources

Respondents were asked to rank which renewable energy sources New Zealand should focus on developing over the next five years.

Onshore wind and solar energy ranked the highest, with respondents identifying them as the most viable and scalable options for expanding the country's renewable energy capacity. Both resources are seen as key contributors to achieving New Zealand's renewable energy targets, particularly with the country's favourable geography for wind and sunlight. While other sources like geothermal and offshore wind also received attention, onshore wind and solar were recognised as the immediate priorities for scaling up generation capacity to meet the country's decarbonisation goals.

New Zealand's top energy priorities over the next 5 years for developing renewable energy sources



Onshore wind and solar energy are critical to meeting New Zealand's renewable targets.

Adequacy of New Zealand's infrastructure to support renewable energy growth

Respondents were asked to evaluate the adequacy of New Zealand's current infrastructure to support the growth of renewable energy projects. The results revealed a notable divide: 14 percent of respondents felt the infrastructure was adequate, 38 percent remained neutral, and 48 percent considered it inadequate. This suggests a significant concern about the existing infrastructure's ability to accommodate the rapid expansion of renewable energy generation, particularly in light of the country's ambitious goals for increasing renewable energy capacity. The response highlights the need for targeted investment and upgrades to the grid and improvements in transmission and distribution systems, to ensure that the infrastructure can support the integration of growing renewable energy sources like wind and solar.

Fuels and technologies supporting the transition to renewable generation

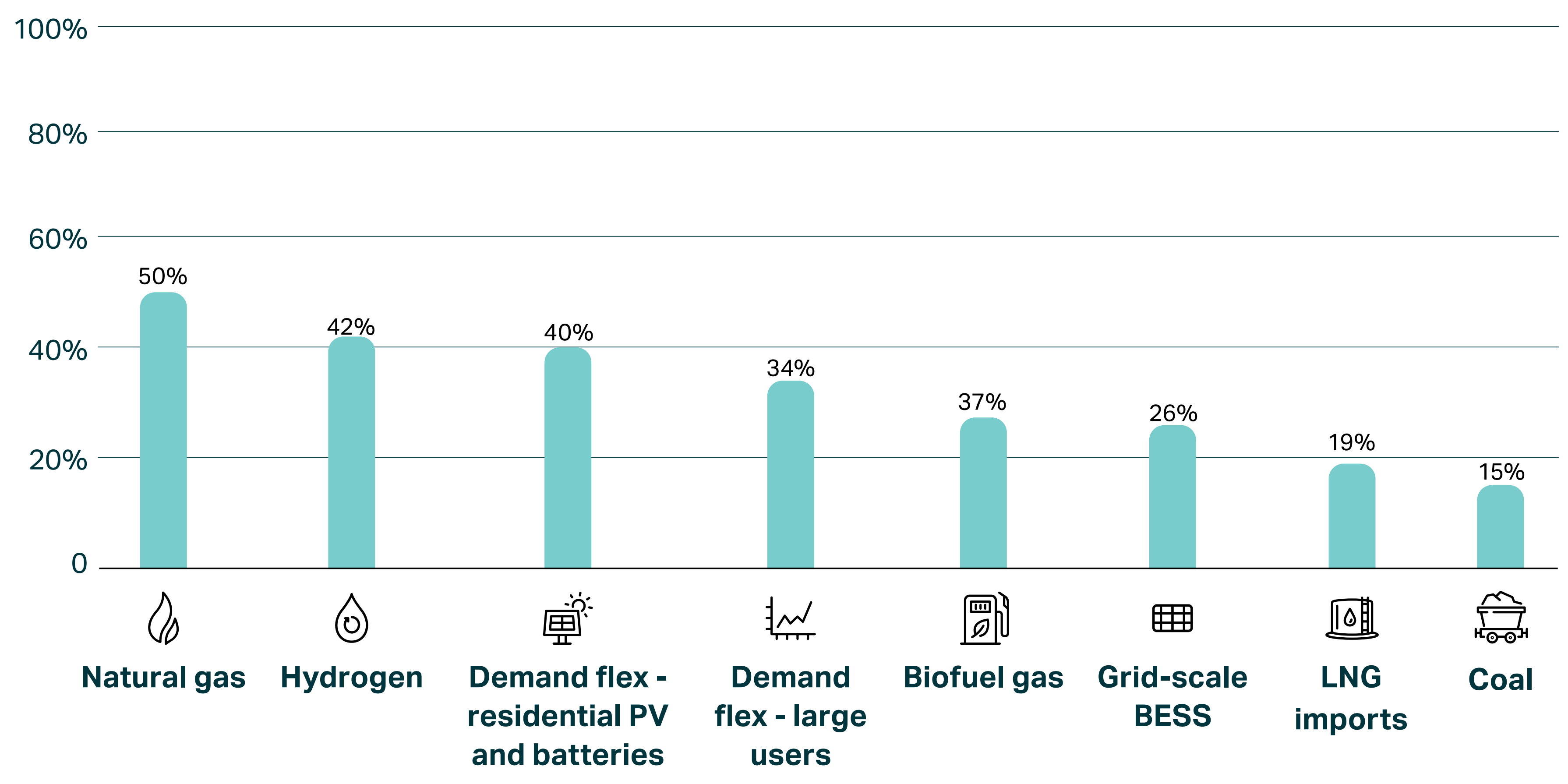
Half of the respondents view natural gas as the fuel best suited to support New Zealand's transition to renewable generation, given its role as a reliable backup for intermittent renewable sources like wind and solar. Hydrogen followed closely as another important enabler, particularly for sectors like heavy industry and transport, which are harder to electrify. Demand flexibility, mainly through residential solar photovoltaic (PV) systems and batteries, was also considered crucial for managing grid demand and balancing renewable energy supply. In contrast, coal was viewed as the least favourable option for supporting the transition, reflecting the increasing shift away from fossil fuels in favour of cleaner alternatives, and its predominant role as a baseload fuel.

A key focus from respondents is the continued role of gas and thermal generation, which is vital for ensuring reliable and affordable power, and its absence from current discussions is seen as a significant oversight. Some respondents highlighted the importance of restoring investor confidence in the New Zealand gas sector. Energy independence remains a priority for New Zealand's economic prosperity, as affordable energy directly influences national wealth. While the country has the potential to lead in renewable energy, access to affordable fossil fuels is necessary to support the transition, creating the foundation for a competitive economy that supports both renewable and traditional energy sources.

Reducing energy consumption is another essential step to minimise the need for new generation capacity, with biofuels from forest by-products like slash seen as a viable renewable energy source. There is strong support for incentivising local generation capacity to bolster grid stability, with suggestions for government incentives similar to those in Australia for solar PV installations. Respondents also emphasised the need to leverage proven technologies from other countries and invest in battery storage at both residential and industrial levels. Short-term reliance on natural gas is considered necessary to fill gaps in renewable energy production, while large-scale hydrogen projects are viewed as inefficient.

Finally, small, local generation solutions are considered valuable, even if they may not benefit larger businesses, and developing storage solutions and new energy facilities is seen as essential for long-term energy resilience in New Zealand.

Fuel and Technologies to support energy transition



48%
of respondents believe New Zealand's infrastructure is inadequate for supporting renewable energy growth.

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AECOM is the global infrastructure leader, committed to delivering a better world. As a trusted professional services firm powered by deep technical abilities, we solve our clients' complex challenges in water, environment, energy, transportation and buildings. Our teams partner with public- and private-sector clients to create innovative, sustainable and resilient solutions throughout the project lifecycle — from advisory, planning, design and engineering to program and construction management. AECOM is a Fortune 500 firm that had revenue of $16.1 billion in fiscal year 2024. Learn more at aecom.com.

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