



MAJOR ELECTRICITY USERS' GROUP

Presentation to Finance and Expenditure Committee on the Climate Change (Emissions Trading and Renewable Preference) Bill

1. MEUG's membership comprises 20 companies and 2 business organisations. A number of members have made separate submissions. While some of the detail may differ, overall themes remain the same. MEUG members were consulted in preparing the MEUG submissions.
2. We support in broad terms the general concept of an Emissions Trading Scheme. The fine print details and the timing of introduction were not supported.
3. The latest report by the NZIER on the ETS does raise a number of concerns and may erode some of the support for the concept.
4. The decisions this week relating to timing are welcomed.
5. Ideally we would like an opportunity to comment on the SOP which will give effect to the deferral announced by Government before the Committee reports back to the House.
6. We unequivocally oppose any proposed ban on thermal generation.
7. The proposed 10 year moratorium on new thermal generation is tantamount to an "own goal" or multiple penalty tries under the post.
8. New Zealand already has a high level of renewable generation. It is subject to uncertain hydro inflows. In 1992, 2001, 2003, 2006 and now in 2008 we have had minor, mini or serious problems with hydro generation.
9. Many of the energy intensive industries have become unnerved with the unreliable security of supply issue and the volatility of prices. The ban on thermal base-load generation simply exacerbates all the current problems experienced by consumers of electricity.
10. Since our written submission of 29th February 2008 on the ETS portion of the Bill:
 - CAENZ report for PEPANZ was released
 - Treasury advice to Ministers was released
 - The risk of a supply crisis has increased along with associated extreme spot prices and impact on GDP. This is a graphic illustration of why we should not exclude any generation options, provided they face all costs (including GHG externalities).
 - All of the above events have reinforced the MEUG recommendations set out on the thermal ban portion of the Bill (refer paragraph 28 of that submission).
11. We thank the Committee for this opportunity to present and welcome questions.

Terrence Currie (Chair) and Ralph Matthes (Executive Director)
8th May 2008