

19 June 2018

**MEUG opening comments at the Transpower panel discussion on
Te Mauri Hiko, Energy Futures¹**

Question for the panel:

Te Mauri Hiko presents a base case for what Transpower believes NZ's sustainable energy future may look like. In your organisations' view, what is a sustainable energy future and what does it look like?

MEUG response:

A sustainable energy future to the second half of this century meets multiple goals. These include meeting our Paris Agreement undertakings and taking leadership on carbon emission issues where there is a clear benefit in NZ doing so.

Sustainable policy must be politically and socially durable. There are at least 11 election cycles between now and 2050 that need to be carefully navigated.

What does this broad perspective on a sustainable energy future look like for the electricity sector in particular?

First, the work of the policy advisors in MBIE, MfE, the EA and the CC needs to be complimented with and harmonised with the work of the proposed Climate Change Commission. It's critical all these departments and crown entities work collaboratively using evidence, science and robust cost-benefit-analysis techniques.

Care needs to be taken for suggestions of carving out specific goals. A case in point is the proposed goal of 100% renewable electricity generation by 2035 in a normal hydrological year. There seems to be a broad consensus achieving this goal is physically possible but at ever increasing marginal cost whereas other lower marginal cost abatement options for other energy uses go begging. The better policy goal is to focus on the path for lowest cost emission reductions across the whole energy sector.

Second, policy advisors need to be aware of the limitations of their modelling work and take heed of possible unintended consequences on electricity, energy and carbon markets. It is in those markets that every day households, commercial and industrial consumers make operating and investment decisions. The power of markets and price signals to find lowest cost and innovative solutions needs to be carefully harnessed.

Taking these two points together, that is the need for co-ordination between policy advisors and to use market and price mechanisms wherever possible, will achieve a sustainable future electricity sector.

Now is not the time to panic about uncertainty and complexity. Now is a time for cool heads, dialogue, a focus on evidence and analysis. It's better to take our time to get initial policy settings and timings for future reviews correct than make ad hoc policy proposals.

¹ <https://www.transpower.co.nz/sites/default/files/publications/resources/TP%20Energy%20Futures%20-%20Te%20Mauri%20Hiko%2011%20June%2718.pdf>