

Reflections on the past 12 months

As the year draws to an end some reflection on the year that was seems in order. Twelve months ago we had a new Government with an ambitious policy agenda and a clearly articulated willingness to intervene in markets and the economy in order to achieve its objectives.

There was uncertainty about how the Government would work with industry and what its ambitions might be in practice. A year on, much of that policy uncertainty remains though we have a clearer picture of how the Government operates.

The decision on future oil and gas exploration has raised new concerns about security and quality of both electricity and energy supply, especially in an environment where gas supply is constrained. How the electricity pricing review reconciles the potential impacts of policy interventions on wholesale, and ultimately retail prices, the Government's desire to see lower prices will be of interest in the New Year,.

What is clear is that the Government is prepared to set ambitious targets without a clear plan or pathway for achieving them, trusting in its ability to construct that pathway as it travels down it.

It is incumbent on the sector to work with Government to inform and help build those pathways – just as it is incumbent on Government to both engage and to be open to different views on how to achieve its goals.

Climate change consensus some time away

A pre-Christmas cross-Parliament consensus on climate change looks unlikely with negotiations between the Government political parties, and also with the Opposition, seemingly dragging on into the New Year.

While the treatment of agricultural emissions is likely an issue, undercutting the negotiations is the absence of reliable information on the costs associated with different options under discussion. The Government is much-wedded to modelling by Vivid Economics which assessed the feasibility of a zero-carbon future rather than the cost of getting there, while National place more weight on the analysis by NZIER showing the forecast costs to the country. Missing from the debate is a cost-benefit analysis.

If New Zealand is going to have an enduring, sustainable pathway towards a zero-carbon future it is essential there is an open and informed debate about the options on how to get there, including both the benefits and costs of those different options.

MEUG welcomes Daiken as a new member

MEUG is pleased to welcome Daiken as its newest member. Daiken are manufacturers of premium medium-density-fibrewood products with operating plants at Rangiora in Canterbury and at Mataura in Southland.



Looking forward to the New Year

This is the last Chair update for 2018. In January, MEUG looks forward to hosting the Commerce Commission for a discussion on its work programme for 2019, including both the Transpower individual price-path reset and the default price path reset.

John Harbord, Chair

Key dates

| What's on | Who | When | Notes for members |
|---|--|--------|---|
| Workshop: Net Zero NZ, The Emissions Workshop | Freeman media | 5 Dec | Inaugural workshop. MEUG is a supporting organisation. |
| Official opening: Tiwai line 4 restart | NZ Aluminium Smelters | 6 Dec | Prime Minister Jacinda Ardern officially opening line 4 restart. |
| Submission: Proposed 2019/20 levy appropriation | Electricity Authority | 10 Dec | Non-controversial work programme supported by MEUG. |
| Executive Committee meeting | MEUG | 13 Dec | |
| Submission: Proposed 2019/20 levy appropriation | Energy Efficiency & Conservation Authority | 14 Dec | EECA work can add value to NZ Inc. We believe EECA should be funded through general taxation rather than levies on efficient electricity users. |
| Submission: EIEP5A planned outage notices | Electricity Authority | 18 Dec | We support the proposed mandatory standardised processes as this will improve quality of notices nationwide. |
| Submission: Default Price Quality Path (DPP) issues | Commerce Commission | 20 Dec | Important because 17 of the 29 distributors are regulated by DPP/CPP with over \$2 billion pa revenues. |
| Executive Committee meeting | MEUG | 30 Jan | Guests: Commerce Commission. |
| Cross-submission: DPP issues | Commerce Commission | 31 Jan | |