

Looking towards a low carbon future

Against the backdrop of decisions regards future oil and gas exploration, the Government's approach to the electricity sector is increasingly taking shape. Renewable energy targets have been set, work on the Zero Carbon Act is progressing, the Interim Climate Commission has been announced and the electricity pricing review is underway.

Much of this work will run beyond the current parliamentary term. Add to the mix any tax changes, whether through the work of the Tax Working Group, R&D tax credits to promote development and uptake of emerging technologies, or others forms of taxes or levies that will impact businesses and the broader sector.

At the forefront of such considerations should be the mantra of not making New Zealand poorer on the way through. When we look at the move towards a zero carbon economy it should be through the three lenses of carbon, the economy (jobs, investment and innovation) and timing.

There is a real opportunity to transition to renewable electricity in New Zealand. Existing large coal-fired thermal assets will likely retire by 2030, potentially enabling a move from around 85% of generation from renewable sources to around 95% in a way that doesn't provide large price shocks for businesses or residential households.

As the Productivity Commission has reported, getting that last 5% of generation from renewables is incredibly expensive though. Rather than focusing on squeezing out that last 5% of non-renewable generation in electricity we should be looking at renewables within energy, particularly transport, where we could achieve much greater reductions in carbon emissions at much lower cost and disruption.

However, we won't need more renewable generation if policy changes lead to large commercial and industrial businesses exiting the country due to high costs relative to their international competitors.

New Zealand businesses produce goods and services using some of the cleanest electricity in the world. Exporting jobs to other countries will increase global emissions, not reduce them. We need a pragmatic transition to our zero-carbon future.

A blanket approach of renewables over fossil fuels might not produce lower emissions, for example. Renewables are not necessarily free from carbon emissions, with some geothermal generation producing greater emissions than gas turbine generation.

Solar and wind generation can make a difference, but both only provide intermittent supply. Solar cannot generate during night-time. For wind generation the wind needs to blow, but not too strongly. Batteries can certainly help but scale required means batteries are simply not

capable of changing the fundamental dynamic that due to our generation resources electricity supply largely takes place in the South Island in summer, and peak demand occurs in the North Island in winter.

South Australia provides a recent example of where an unbalanced approach to promoting renewables over security of supply and cost produced significant disruption and harm. New Zealand needs a balanced approach if we are to manage the transition to a zero-carbon future in a way that maintains public support.

John Harbord, Chair

Key dates

What's on	Who	When	Notes for members
Briefing: Real-time-pricing	EA	08 May	Many commercial and industrial consumers likely to use RTP and flow on benefits will accrue to all consumers.
Energy Trader Forum	Freeman Media	09 May	Useful quarterly roundup for the industry. Forum this quarter in Auckland.
Reply to OIA: No new oil & gas exploration permits	MBIE	10 May	MEUG requested Regulatory Impact Assessment and cabinet papers regards decision not to issue new oil and gas exploration permits.
Submission: Funding future fibre regulation	CC	11 May	Of interest to MEUG is the option to create consumer groups to increase level of consumer input into CC processes.
Seminar: Introduction to regulating monopolies	CC	15 May	Introductory overview for new staff and refresher on Part 4 of the Commerce Act.
Budget Day	Government	17 May	Decisions on EECA levy for year starting 1 July 2018 will affect members.
Submission: Dispatch Service Enhancement	EA	22 May	MEUG supports this multi-year project to allow innovation in dispatch services.
MEUG Executive Committee monthly meeting	MEUG	23 May	
Submission: Auckland International Airport Ltd price setting	CC	25 May	Of interest to MEUG for any precedents in regulating energy monopolies in treatment of WACC and funding new runway for AIAL.