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Energy Markets Policy Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
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New Zealand

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To the Energy Markets team at MBIE,

I'm sure you agree that everyone has the right to be safe and to thrive - our children, communities in New Zealand and overseas, and the wildlife and wild places with which we share this Earth. But climate change, and the polluting companies that are causing it, are putting our wellbeing at risk.

Climate change is an existential threat, posing grave danger to people's health, homes, communities, food security, culture and livelihoods. Climate change is an injustice that disproportionately affects our neighbours in the Pacific, developing nations, indigenous people, people of colour, women, people with disabilities and poorer people. These are also the people who are least responsible for causing this crisis.

But the steps we take to address this threat also provide us with opportunities to move towards a more just and equal society, to boost innovation and employment, create more resilient communities, improve our health, and live in better balance with nature.

During a time when droughts, floods and fires are devastating communities both in New Zealand and overseas, the time for small, incremental changes has passed.

While we strongly welcome this strategy to accelerate renewable energy and energy efficiency, the climate emergency that we're living through requires much more ambition than the outcomes that will flow from pursuing your preferred options alone. We urge you to pursue options that, first and foremost, cut New Zealand's emissions in line with the science. The goal of actually cutting emissions cannot be compromised. We need to keep global heating below 1.5°C and this requires global carbon emissions to be halved by 2030.[i]

It is worth noting the union movement's saying, "there are no jobs on a dead planet". Indeed, there is no economy without a stable climate. It is a fallacy to assume that we can trade off reducing emissions against costs to industry, as is done throughout this options paper. The costs of climate inaction and delay are well-documented[ii] and will always fall somewhere - if not onto polluting industries, then onto people (including, as is often the case, those who are already marginalised), the natural world, the public purse and other sectors.

In response to the options presented, we make the following comments:

Options 1.1 (Require large energy users to publish Corporate Energy Transition Plans) and 1.2 (Develop an electrification information package for businesses) are supported. It is logical that large polluters should be accountable for their emissions and have

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plans to reduce them. Government can play an important role in disseminating information.

Option 2.1 (Developing users' guide on application of the National Environmental Standards for Air Quality to wood energy) is supported. Initiatives to support the development of sustainable wood energy use and direct geothermal use are logical.

Option 3.1 (Expand EECA's grants for technology diffusion and capability-building) is supported. Where public funds are directly supporting industrial development, principles of social procurement to support well-paying jobs with benefits to the local community, should be built in. It's unclear how option 3.2 (knowledge sharing) is additional to option 1.1.

Options 4.1 (Introduce a ban on new coal-fired boilers) and 4.2 (phase out existing coal-fired boilers by 2030) are supported. However, they must go further to include all fossil fuels and all temperature applications. As your own table shows, this has substantially more emissions reducing potential and should therefore be prioritised. This is also in line with the science.[iii] The only reasons provided for not pursuing the options with greatest impact for the climate, are concerns about compliance costs for business. However, a proper cost-benefit analysis has not been done and no analysis has been provided as to whether limiting the ban and phase out to lower temperature coal boilers will be sufficient for us to achieve the required emissions cuts. We must start from the place of cutting emissions in line with science. Measures can be built in to reduce or make up for potential negative impacts.

We support introducing a regulatory requirement for large energy users to implement all eligible, profitable, clean energy projects with a payback under a specified number of years. This is logical and should be brought back onto the table. Again, the paper does not present a proper cost-benefit analysis and sacrifices significant carbon reducing potential to fears of compliance costs for business.

Option 6.1 (a levy on coal users) is supported. It is fair and reasonable that polluters should pay and the revenues be recycled back into solutions.

We support options 7.1 (Amend the National Policy Statement for Renewable Electricity Generation) and 7.2 (Scope National Environmental Standards for Renewable Energy) to help make it easier for new renewable projects to be consented.

We support option 8.1 (Introduce a Power Purchase Agreement Platform) for helping iwi and community projects (option C) and state sector projects (option B) get off the ground. Option 8.2 (Encourage greater demand-side participation and develop the demand response market) is supported and this should be available to all energy users. Option 8.3 (Deploy energy efficiency resources via retailer/distributor obligations) is supported. It is logical to make homes and businesses warmer and more energy efficient, while reducing peak demand and avoiding the construction of more poles and wires. Appliance standards and the Building Code also need to be significantly tightened. We support option 8.4 (offshore wind). The benefits for jobs and development in Taranaki during a parallel phase out of the oil and gas industry should be factored in. Option 8.5 (Renewable electricity certificates and portfolio standards) is supported and should be modified to also include targets for distributed generation from community, Māori-owned and household-owned renewable energy to increase competition and fairness in the electricity industry.

We support option 8.6 (Phase down baseload thermal generation and place in strategic reserve) and this should be brought back onto the table. The most effective way to remove fossil fuels from our electricity system is to remove the perverse incentives to run these plants, analysed for example by Transpower in their *Te Mauri Hiko* report.[iv]

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Fossil fuel plants should be urgently phased out and, in the first instance, only ever be used in the rare cases (e.g. unanticipated dry years) when renewables are unavailable. As long as coal and gas are burning during long, sunny days in summer when solar would be delivering clean and cheaper power to households (as is currently the case), it is clear these plants are running inefficiently in every sense of the word.

In addition, the options of subsidies for new renewables and a state-owned enterprise for renewable investment should be put back on the table. These subsidies/investments should give priority to Māori-owned, community, state and low-income projects. This will not crowd out private investment and will provide important co-benefits for health, income, energy independence and climate resilience. These should be considered in any cost-benefit analysis.

We support options 9.1 (Ensuring a clear and consistent government position on community energy issues) and 9.3 (Government support for community energy pilot projects). These are the bare minimum. It's disappointing that no further options are presented. In particular, it should be a requirement for new energy developers to offer shared-ownership to local communities and, in particular, Māori. This is important to ensure that the benefits of clean energy flow to local people, particularly mana whenua. Community buy-in is also essential in speeding the clean energy transition in line with the climate science. The well-documented co-benefits[v] of community energy should be considered in any cost-benefit analysis. Further options should be developed with experts in this field.

We support options 10.1, 10.2 and 10.4 - 10.8. Providing information on suitable sites for new clean energy is sensible and can help speed up their development. Initiatives that make the process of developing clean energy more accessible to new entrants, especially communities, make sense. As a general rule, risk and cost should not be shifted onto the public purse if the private sector is set to benefit significantly. We support the shift in cost away from taxpayers and towards generators (through levies). The principle that those who generate the need for/benefit from the activity should contribute to costs is sound.

In addition to the options presented, we urge the Government to take advantage of low interest rates, and provide significant infrastructure support for the development of clean energy, in particular solar and wind. Solar should be installed on all suitable Government buildings. Government land (such as Pāmu farms) are also important spaces to pilot innovative energy projects. Any excess energy produced from Government property (e.g. on weekends) can be gifted to those in hardship or to community organisations, such as homeless shelters and women's shelters.

The Government should also roll out a nation-wide solar schools programme, beginning in Northland and the East Cape, regions which have good solar potential and are distant from large-scale power generation sites. Schools are perfect candidates for solarisation, given that they use most of their energy during daylight hours. Currently, energy costs directly compete with other spending, encroaching on the funding available for learning resources. Selling excess energy back to the grid on weekends can provide further energy bill reductions to the school. Alternatively, gifting excess energy to families in hardship can have flow-on effects for children through healthier homes.

Planned social housing upgrades and Kiwibuild should incorporate solar energy, batteries, and passive house standards wherever feasible. Installing clean energy and storage at zero cost to the occupier would cut bills for families that are already experiencing hardship, while creating a new, Government-owned virtual power plant that could compete with existing power suppliers. Across the Tasman, the South

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Australian Government is embarking on a programme to install 24,000 solar-battery systems on social houses in the state.[vi]

The Government should introduce a zero interest loan programme to help half a million households install solar and batteries. This would help to significantly boost private investment in new clean energy and battery storage by reducing the upfront capital cost and allowing people to pay for the system in interest-free instalments over ten years. Greenpeace has estimated this can be done at a cost of around $33 million a year, over 20 years.[vii]

We're in a climate emergency and must urgently reform our energy system to cut out carbon-emitting fossil fuels. The good news is that the technology already exists to do the bulk of this work. Furthermore, these innovative technologies provide the opportunity for people to participate more directly in energy generation and reap the rewards in lower costs, energy independence, and greater resilience. The barriers are often rooted in outdated structures and rules. These are not fixed. Just as our energy system underwent massive reforms in the 1980s and 1990s, the energy system can be redesigned once again - but, this time, with the aim of delivering cleaner energy, and a fairer, more inclusive and more affordable energy system. Let's not sacrifice our children's chance at a decent future for the sake of upholding outdated systems and ways of thinking.

Yours sincerely,

Amanda Larsson
Climate & Energy Campaigner

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[i] IPCC (2018) Intergovernmental Panel on Climate Change, Special Report https://www.ipcc.ch/

[ii] Westpac NZ (2018) Climate Change Impact Report https://www.westpac.co.nz/assets/Sustainability/Westpac-NZ-Climate-Change-Impact-Report.pdf

[iii] Smith, Christopher J., et al. "Current fossil fuel infrastructure does not yet commit us to 1.5° C warming." Nature communications 10.1 (2019): 101.

[iv] Market distortions perversely reward large energy generators for keeping expensive coal, gas and diesel generation in the energy system, at the cost of new, cheaper clean electricity development. This phenomenon has been referred to by Transpower as "investment gridlock" and is holding back new investment in clean energy. Transpower (2018). Te Mauri Hiko Energy Futures https://www.transpower.co.nz/resources/te-mauri-hiko-energy-futures

[v] Berka et al (2018) Policy strategies for inclusive renewable energy in Aotearoa (New Zealand) https://cdn.auckland.ac.nz/assets/auckland/arts/our-research/research-institutes-centres-groups/ppi/policy-briefings/policy-strategies-for-inclusive-renewable-energy.pdf

[vivi] South Australian Government (2018) South Australia's Virtual Power Plant. Retrieved from: https://virtualpowerplant.sa.gov.au/

[vii] Greenpeace (2018) Solarise New Zealand https://storage.googleapis.com/planet4-new-zealand-stateless/2018/09/6607d3b8-solarise-nz-greenpeace.pdf

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