Submission

To: **Ministry of Business, Innovation and Employment**

By: **Northland Regional Council**

On: **Discussion document: Accelerating renewable energy and energy efficiency**

1. Introduction

1.1. Northland Regional Council (NRC) is grateful for the opportunity to comment on the discussion document. NRC's submission is made in the interest of promoting the sustainable management of Northland's natural and physical resources and the social, economic, and cultural wellbeing of its people and communities. NRC's submission is focused for the most part on the proposals that relate to our functions under the Resource Management, Local Government and other Acts relevant to our role.

2. Background

2.1. Northland has several renewable energy generation sites of scale – Ngawha Geothermal Power Station operated by Top Energy and the Wairua Hydro Electric Power Station operated by Northpower (5MW). The Ngawha site is expanding capacity by 31.5MW (to a total of 57MW) by the end of 2020, with further potential to add additional generation to provide a total of 88MW by 2025 subject to monitoring to prove the sustainability of the resource. The Ngawha expansion will greatly improve Northland's security and reliability of energy supply and mean the region will no longer rely on electricity imported from Waikato through Auckland – in fact it will likely mean the facility can export power south.

2.2. Northland supports strong forestry and wood processing sectors meaning there is significant potential for the development of wood energy in the region, especially for process heat. The potential for wind, solar and tidal energy generation in the region also present significant opportunities that have not been pursued at scale to date. The further development of renewable energy within the region presents a significant economic opportunity and potential to improve well-being for our communities and businesses that are currently exposed to changes in electricity pricing. Particularly concerning for us in this regard are recent proposals[1] by the Electricity Authority to alter the transmission pricing methodology which has the potential to materially increase electricity prices in Northland - for example, the Electricity Authority estimated that the transmission component of customers' bills may

[1] Transmission Pricing Review – 2019 Issues Paper

increase by 15.5% (Northpower) to 31.6% (Top Energy) in 2022, largely as a result of the distance from major generation sites. We expect this will hit our small remote rural communities hardest and these tend to be the most economically disadvantaged. NRC therefore strongly supports the intent signalled in the discussion document to promote renewable energy generation and efficiency. We also support a number of the proposals which we consider will assist with Government's targets for renewable energy and climate change mitigation. We expand on these points in more detail below with a focus on those matters that are relevant to Northland's socio-economic well-being and NRC's roles and functions.

3. Submission

Wood and bioenergy:

3.1. We strongly support the development of wood biomass as an energy source to progressively replace fossil fuels in process heat and consider Northland has significant potential for this given the timber resource available and process heat demand (such as kilns for milk, cement and timber processing). However, we would be concerned if this was not limited to timber waste or by-product and were to use high quality timber. While the value of timber as a building product and market forces would likely prevent this, there could be some risk of perverse outcomes if overly strong incentives or prohibitions distorted the market to the extent timber better used for construction was diverted into fuels. We urge the government to ensure some form of control applies to prevent this.

3.2. We acknowledge RMA plan rules can at times inadvertently create undue impediments to new or emerging technology such as wood to energy plants, especially if 'rolled' over from earlier generation plans. NRC recently released decisions on its Proposed Regional Plan which includes rules permitting burning (including untreated wood) for energy generation (electricity or heat) subject to conditions – the conditions include a limit on the burning of wood for energy of up to 2.5MW. If this threshold is exceeded, the application would be treated as a discretionary activity. We consider the Proposed Regional Plan regime is appropriate based on past and current activity in Northland.

3.3. While we see some benefit in a 'user guide' for development and operation of wood energy facilities under the National Environmental Standard for Air Quality (NESAQ), amendment to the NESAQ would provide more certainty. This is because the NESAQ does not appear to explicitly provide for the burning of wood for other than domestic purposes (we note the definition of woodburner in the NES is limited to domestic appliances) and a user guide is a non-regulatory tool and does not provide certainty for the sector or councils. We agree that the NESAQ should retain flexibility for councils to manage air discharges taking into account local geographical / climactic

circumstances, however we consider there is merit in amending the NESAQ so it explicitly provides for burning wood for process energy for clarity and certainty for applicants and councils alike.

3.4. The NESAQ is an environmental health standard, so could include 'discharge / design standards' but could also set activity status for burning wood for energy (i.e. permitted, controlled or discretionary activity standards) – provided councils retain the ability to set more stringent standards if needed, it can also retain flexibility needed to address local concerns. We consider there is merit in providing national consistency, certainty and clarity in the NESAQ if government wants to encourage the energy generation opportunity the wood resource presents in New Zealand. This is especially important for an emerging industry that may result in a small number of specialist businesses seeking to operate in multiple regions with wide differences in local RMA rules – inconsistent rules in RMA plans can be a real impediment to businesses that operate in multiple jurisdictions (especially relating to certainty and costs). Examples where this has resulted in National Environmental Standards being developed include forestry, electricity transmission and telecommunications. We note the Bioenergy Association has undertaken a review[2] of regional air quality rules relating to the operation / consenting of wood fuelled heat plant which provides an insight into the barriers to establishing such plant from an industry perspective.

3.5. If the guide was progressed, it would be useful if it set out how other standards (such as PM_{10} and $PM_{2.5}$) apply and how these can be met to avoid unnecessary regulatory impediments. It would also be useful if the guidance provided a process chart or checklist of some description to demonstrate how compliance with the NESAQ can be achieved. We would also support the guide including best practice planning rules to assist council plan-making processes pending amendment of the NESAQ.

<u>Geothermal energy</u>

3.6. NRC strongly supports development of the geothermal resource. Geothermal energy is a clean energy source, but access is limited to specific parts of NZ – it should therefore be used to maximum advantage subject to controls to manage environmental effects and long-term sustainability. We suggest the government develop a strategy to maximise generation from the geothermal resource – or alternatively expand on the strategy developed by the NZ Geothermal Association in combination with an implementation plan to ensure the strategy is actually resourced and delivered.

<u>Industry transformation plans</u>:

[2] Review of regional air quality rules regulating wood fueled heat plant, Bioenergy Association of New Zealand; Occasional Paper 21; 20 April 2018

3.7. We consider an Industry Transformation Plan (ITP) for the Wood Processing and Forestry sector would be beneficial in facilitating bioenergy markets and industry clusters. We see real potential for such a 'cluster' in Northland given the timber resource available in the region. This would be further complimented by the Te Uru Rakau forest strategy, especially if this strategy were to outline government investment, the identification of regional opportunities and secure greater volumes and availability of wood supply for energy / process heat. We therefore support both initiatives – the provincial growth fund could also provide financial support where needed in initial phases.

Deterring new and phasing out existing fossil fuel process heat:

3.8. We understand the rationale for a ban or other strong deterrent on new coal fired process heat plants, as this will a) assist in meeting the governments greenhouse gas emissions targets and b) limit the potential for 'stranded assets' in the future and c) encourage use of alternative, renewable fuel sources such as wood. We are aware of some Northland industries that rely on coal for process heat (such as Golden Bay Cement), however we do not expect a significant number of *new* coal-fired facilities to establish in the region. While not opposed to a ban on new low / medium temperature coal fired process heat facilities, we would be concerned if restrictions were to be applied to the expansion or upgrade of existing economically or regionally significant coal fired process heat plants, such as the Golden Bay Cement Plant kilns.

3.9. We would be interested in the effect of the removal of the $25 price cap on NZU and more market-led carbon pricing under a revised Emissions Trading Scheme (ETS) as a deterrent for new or expansion of existing coal fired plant – if this impact is significant, an outright ban may not be necessary (noting a carbon price of $60t/$CO_2$-e makes some biomass alternatives viable). In terms of phasing out existing coal fired burners (<100 degrees C) by 2030, NRC would support this if accompanied by Corporate Energy Transition Plans. In our view emissions pricing, facilitating renewable alternative fuels and possibly well targeted incentives are likely to be more equitable and effective in making the transition than an outright prohibition. However, in the event these measures do not drive change fast enough, staged phase-out using national instruments / direction could be used to compel the transition.

Enabling development of renewable energy under the RMA:

3.10. For the most part NRC agrees with the problem statement at Section 7.1 of the discussion document, in that the National Policy Statement for Renewable Energy (NPS-REG) has not had a significant positive effect on the time, cost and complexity of the consenting process for renewable energy generation. We agree the NPS-REG uses less directive language than other National Policy Statements (NPS), such as the

NZ Coastal Policy Statement or NPS for Freshwater Management and therefore tends to receive less weight in decision making. Therefore, we do not consider the NPS-REG gives sufficient weight or direction to the importance of renewable energy. Nor has the NPS-REG likely to have improved consistency in planning provisions nationally – we note this is one of the issues with NPS given they typically result in each council interpreting and applying the provisions in the context of their jurisdiction resulting in varied approaches (this despite government efforts to provide implementation guidance). NPS also tend to generate significant costs nationally, as every council must go through the Schedule 1 RMA plan change process to implement the policy direction (as opposed to NES that are far simpler to implement).

3.11. NRC would support amendment to the NPS-REG to better recognise the national benefits of renewable energy generation and to include direction to spatially identify potential areas for renewable energy generation and / or areas where renewable energy should not locate. This would in our view provide a great deal more certainty for the industry and communities alike. It could be that instead of each individual council spatially identifying sites for renewable energy generation in their jurisdiction, that this be progressed at a national scale through the revised NPS-REG instead (provided it was in conjunction with the sector and councils and with appropriate opportunity for public / stakeholder input / consultation) – or alternatively included in a new NES for renewable energy generation. Another alternative would be to develop a non-statutory resource for this purpose which enabled councils to 'adopt' the maps via RMA plan changes.

3.12. We agree there is real tension between the aims of the NPS-REG and other NPS – especially the NPS for Freshwater Management 2017 and the NZ Coastal Policy Statement 2010 (NZCPS). This will require resolution and we do not consider changes to the NPS-REG alone would be sufficient, especially where other NPS include the direction to 'avoid adverse effects' which leaves no discretion to councils – our view is that such NPS require amendment because no matter what changes are made to the NPS-REG it is unlikely to overcome the very strong / directive language used in the NZCPS and NPS Freshwater and the effect of associated case law. We note the Draft NPS on Indigenous Biodiversity uses similar directive language. Our view is that the government needs to decide on national priorities and provide certainty as to which should prevail in certain circumstances especially regarding national policy statements – otherwise councils, applicants and interested parties end up in expensive consent and appeal processes and / or opportunities are lost.

3.13. Noting the concern above, we would support changes to the NPS-REG along the lines set out below:

- A requirement to identify spatially (in Regional Policy Statements or plans) appropriate areas for renewable energy generation and to *enable* renewable energy generation in those places (in section E of the NPS-REG). Ideally this would be supported by maps generated at a national level to inform council processes or at a minimum, criteria to be applied to define such areas. This could also be complemented by criteria or maps identifying areas not suitable for renewable energy generation.
- Clarifying the relationship between the NPS-REG and other NPS (especially the NPS for Freshwater and NZCPS and the Proposed NPS for Indigenous Biodiversity) and how to balance these when potentially in conflict.
- Provisions enabling maintenance, upgrades and renewal of existing generation facilities and recognising and facilitating connections to transmission and distribution networks.
- We see a good case to expand the scope of the NPS-REG to include other types of renewable energy, e.g. wood energy, liquid biofuels, green hydrogen and waste-to-energy – otherwise these options could be disadvantaged and opportunities lost.

3.14. A potential complementary measure could be to progress a NES for renewable energy that addresses much of the above. While NPS are useful, NES provide far more certainty given they are effectively nation-wide 'rules'. They are also significantly less costly to implement in plans given plan changes can be avoided (plans can be amended using Section 55 RMA instead of the Schedule 1 plan change process). Our preference would be for an amended and more directive NPS-REG (and amendments to other NPS as needed) supported by a new NES for renewable energy generation (and facilities). We support the NES including the matters (a-g) identified on Page 62 of the discussion document. This NES could also include the requirement to map areas deemed suitable for REG (or certain forms thereof) and provisions enabling renewable energy generation facilities in these areas (i.e. setting the activity status for a range of generation activities). In terms of scope, a new NES should include as many energy generation options as feasible - i.e. not be limited to wind, solar and tidal but include biomass and geothermal.

3.15. We prefer a new NES to incorporating provisions into the National Planning Standards as this is simpler for councils to implement in that provisions that are inconsistent with the NES can be simply 'stripped out' of plans (usually without the need for a plan change), rather than duplicating the content of planning standards. We also note the National Planning Standards already include direction on how to reference NES in plans.

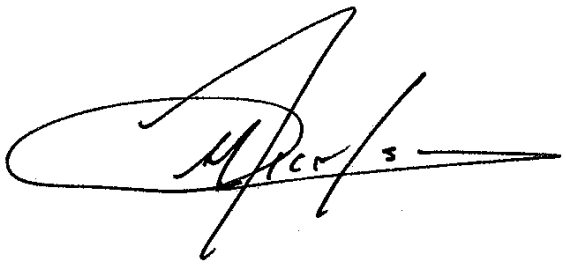
3.16. We do not support a 'pre-approval' process for central government to identify and authorise renewable generation sites outside the RMA system – the RMA (despite its

faults) is designed for such purposes and generally provides a good process if policy settings are clear and robust. Another parallel system solely for REG purposes would be inefficient and appears unjustified.

4. Conclusion

4.1. We thank the Ministry for the opportunity to comment on the options in the discussion document. We agree with many of the options identified and reinforce comments above that the government needs to resolve the tensions within current (and Proposed national Policy Statements) and the aspirations for reducing greenhouse gas emissions and shifting to more renewable energy generation. We also strongly support development of a new NES for renewable facilities as this provides the greatest certainty for the sector and is likely more effective and efficient means to address regulatory barriers.

Signed on behalf of Northland Regional Council



Malcolm Nicolson (Chief Executive Officer) Dated: 26 / 02 /2020