



3 October 2008

Board of Enquiry
National Policy Statement – Renewable Electricity Generation
PO Box 10362
Wellington

Dear Sir

Introduction

1. The Petroleum Exploration and Production Association represents the interests of oil and gas explorers and producers in NZ. We have been actively engaged in providing input to the development of the NZ Energy Strategy, the emissions trading regime and in providing commentary on the thermal ban, now enacted.

Proposed National Policy Statement

2. The proposed NPS gives effect to the above mentioned energy strategy by making the need to develop, upgrade, maintain and operate renewable electricity generation activities throughout New Zealand a matter of national significance under the Resource Management Act. It establishes the target of 90% renewables by 2025 and proposes policies to achieve that in regional and territorial planning instruments.
3. The Regulatory Impact Statement supporting the Policy argues that an increase in the proportion of renewable electricity will support the development of a diverse and resilient electricity generation sector which, in turn, will increase security of electricity supply. The RIS argues that reducing our dependence on gas fired electricity generation will minimise our exposure to international fluctuations in oil and gas prices.
4. Such views are in our opinion – incorrect. Analysis done for the Association by the Centre for Advanced Engineering shows that moving toward a 90% renewables target will reduce security of supply by placing greater reliance on forms of generation which are uncertain. It will also result in significant increases in electricity pricing because of the need to build stand by generating capacity and increase investment in transmission lines. I attach a copy of the report by the Centre for Advanced Engineering for your information.
5. Furthermore, none of the gas used to generate electricity in New Zealand is imported. The domestic price is completely uncoupled from the international price of gas. Current domestic prices are about \$6.50 a GJ, compared to Henry Hub prices of about US\$12 GJ. In short, we are not and never have been exposed to international gas prices.

6. Whilst the nature and effect under the RMA of a National Policy Statement is clear, the NPS lacks clarity and, as a result, presents a significant risk that it will be misinterpreted and misapplied by Councils and “decision makers”, as defined.
7. The NPS does not sufficiently spell out the bounds of the Council’s/Court’s role and the fit between those roles and relevant energy/environmental policy implementation roles of other bodies; for example the Electricity Commission. There is no link with wider energy strategy focused on security of supply. In addition, there is no link with (or suggestion as to how to grapple with) the NPS’ consequential effect in terms of the significant additions and enhancements that will be necessary to the electricity transmission system through a focus on renewables. In other words, the NPS directs Councils and decision makers to favor and implement renewable projects in a complete vacuum.
8. Councils and decision makers will be left ill-equipped to reconcile the competing Government policies. At a higher level, the NPS seeks to reflect only one part of the Government’s strategies under the NZES, whilst failing to balance its renewable focus with security and affordability of supply.
9. We acknowledge that an NPS is not necessarily obliged in itself to strike such a balance. However, to publish this as a directive statement, the Government needs to make it both capable of sensible implementation and consistent with other Government policies.
10. The NPS is focused, by definition, on renewable electricity generation and activities related to that. However, by virtue of its silence on the continued relevance of non-renewable electricity generation projects and their continued place in the wider energy setting, the NPS runs the risk of being construed as requiring Councils and decision makers to favor renewable generation above all else, come what may.
11. Whilst, at a strict level, the NPS should more correctly be construed as speaking only for renewable electricity generation, there is therefore a risk that its lack of any statement preserving the continued relevance of non-renewable generation, in appropriate circumstances, is effectively interpreted as meaning those cannot be supported in any circumstances.
12. In fact, the correct approach is that this NPS deals only with the approach to renewable generation going forward, and does not say anything about non-renewable projects. These latter projects should continue to be judged on their own merits and dealt with in accordance with the Resource Management Act and other Government policy.
13. Consistent with the above, PEPA NZ seeks the inclusion of a statement at the end of the objective that this NPS makes no statement or judgment on non-renewable projects.
14. *Policy 1:* This policy includes, at the end, an implicit recognition of the importance of diversity of supply, by type and/or location of electricity generation. This very diversity dictates interpreting and applying this NPS as not dealing with non-renewable generation and leaving non-renewable generation projects to be dealt with on their own merits.

15. *Policy 2:* This policy is extremely confusingly worded. It appears to be saying that, for renewable generation activities, Councils and decision makers can effectively bend the rules. When coupled with the overly broad wording elsewhere in the NPS, this policy may result in Councils and decision makers assuming the role of an expert in matters of energy and electricity policy implementation – a task quite likely to be beyond their capability and resources and most definitely outside of their role in both a local government and resource management context.
16. *Policy 3:* The reference in this policy to the “relative degree” of reversibility of adverse environmental effects could potentially be relied on to require the Council or the Court to pass judgment on the relative merits of different projects. This trespasses on the role and capability of other relevant energy sector regulators and decision makers and is beyond the intended RMA enquiry.
17. Further, PEPANZ requests the addition at the end of the words “in the context of the particular projects and given the broader needs of the relevant community”, so that the consideration being given to the relevant proposals is not merely an objective exercise of weighing up the pros and cons of different technologies themselves.
18. *Policies 4 and 5:* PEPANZ submits that any plan changes should expressly state that they are concerned only with renewable generation and not non-renewable generation, but that projects for the latter remain to be dealt with on their own merits.
19. *Interpretation Section:* As a technical matter, the definition of “national grid” is surely far too wide for the purposes of the NPS. The second paragraph of the Explanatory Note needs to be improved from a drafting perspective. The first sentence should be one paragraph by itself, and the remainder should be reformulated as follows:
20. “The objective and policies are intended to guide:
 1. applicants when making applications for resource consent; and
 2. decision makers in making decisions on the notification and determination of resource consent applications, and in drafting policy statements and plans,
 3. that relate to renewable electricity generation activities, and when exercising other powers under the Act relating to renewable electricity generation activities.”

The Association wishes to be heard in support of this submission.

Yours sincerely



John Pfahlert

Executive Officer