
REPORT 5
(1215/52/IM)

SUBMISSIONS ON DRAFT NEW ZEALAND ENERGY STRATEGY AND RELATED DOCUMENTS

1. Purpose of Report

To seek approval for the attached submissions to various central government agencies on:

- the draft *New Zealand Energy Strategy*;
- the draft *New Zealand Energy Efficiency and Conservation Strategy*;
- the discussion paper on *Measures to Reduce Greenhouse Gas Emissions in New Zealand Post -2012*; and
- the discussion document *Sustainable Land Management and Climate Change*.

2. Executive Summary

In December 2006, the Government released a suite of draft strategies and discussion documents related to energy and climate change. Because of the linkages between energy use and climate change, these documents have been released together, and submissions close at the same time (30 March).

This suite of central government documents is a long-awaited piece of policy direction, which provides a framework for local government action on the important issues of energy and climate change.

The attached submissions are generally supportive of the Government's proposed direction on energy and climate change. This direction is consistent with the Council's Environmental Strategy, which prioritises energy efficiency and conservation because of the economic benefits as well as environmental issues like climate change. By making submissions on these documents, the Council is taking an active role in the national debate that will shape the economic and environmental future of New Zealand.

Notwithstanding this general support for the Government's proposed direction, the submissions endorse the view of Local Government New Zealand that there are many details yet to be resolved with respect to the further development and implementation of these proposals, and that the local government sector needs to be actively involved in discussions on these details. Further, the submissions raise some additional points specifically relevant to Wellington City Council.

3. Recommendations

It is recommended that the Committee:

- 1. Receive the information.*
- 2. Approve the submission (appendix 1) on the draft New Zealand Energy Strategy (NZES), subject to any changes by the Committee.*
- 3. Approve the submission (appendix 2) on the draft New Zealand Energy Efficiency and Conservation Strategy (NEECS), subject to any changes by the Committee.*
- 4. Approve the submission (appendix 3) on the discussion document Measures to Reduce Greenhouse Gas Emissions in New Zealand Post - 2012, subject to any changes by the Committee.*
- 5. Approve the submission (appendix 4) on the discussion document Sustainable Land Management and Climate Change, subject to any changes by the Committee.*
- 6. Agree to delegate to the Environment Portfolio Leader and Chief Executive Officer the authority to make any minor drafting changes necessary before forwarding the submissions to the relevant agencies.*

4. Background

In December 2006, the Government released a suite of draft strategies and discussion documents related to energy and climate change. These were given added urgency and shaped in part by the Prime Minister's speech to the Labour Party conference in October, during which she quoted the recent UK Stern Report on the economics of climate change and suggested that New Zealand could aspire to being carbon-neutral. Because of the linkages between energy use and climate change, these documents have been released together, and submissions close at the same time (30 March).

In addition, the 2 February 2007 release of Working Group 1's contribution to the Fourth Assessment Report of the United Nations Intergovernmental Panel on Climate Change (IPCC) has received widespread media attention. In addition to refining predictions of temperature change, sea level rise, and other dimensions of climate change, this IPCC report concludes that it is 90% likely that human activities are responsible for the global average temperature increase observed since 1950.

Council activities related to energy and climate change

This suite of central government documents is a long-awaited piece of policy direction, which provides a framework for local government action on the important issues of energy and climate change.

Within the existing central government policy framework, the Council has prioritised its own work on energy and climate issues. The highest three-year priority from the Council's Environmental Strategy is:

Increasing the Council's promotion of water and energy efficiency and conservation, energy security, and the use of renewable energy sources, and taking a more active leadership role in these areas.

This priority is supported by the Council's membership in the Communities for Climate Protection – New Zealand (CCP-NZ) programme. The Council has set its corporate targets as stabilising greenhouse gas emissions at 2003 levels by 2010 and reducing emissions 20% by 2020. The Council will be developing community emission reduction targets this year in consultation with the public, through the Council's Annual Plan process.

A number of specific Council work programmes across the environmental, transport and urban development areas are currently giving effect to the Council's energy and climate commitments. This work includes:

- Council Energy Management Planning, followed by work with the community
- Travel Demand Management (including active modes) and Bus Priority Measures
- Compact Growth /Growth Spine
- Sustainable Building Guidelines for the community and the Council
- Completion of District Plan Change 32 (renewable energy)
- Composting (Kai-to-Compost, Living Earth, etc.)
- Community Projects (Enviroschools, Sustainable Business Challenge etc.)
- Continued investigation into landfill gas-to-energy conversion

- Providing for climate change adaptation through asset management planning, civil defence planning and land use planning.

New Zealand Energy Strategy to 2050

The main document in this suite of central government papers is the draft *New Zealand Energy Strategy to 2050* (NZES), developed by the Ministry of Economic Development. The NZES sets out the Government's proposed vision for New Zealand's energy future, the broad directions by which this could be achieved, and a list of proposed actions. The proposed vision is "A reliable and resilient system delivering New Zealand sustainable, low-emissions energy." The vision is supported by six thematic areas:

- providing clear direction on the future of New Zealand's energy system
- maintaining high levels of security and reliability at competitive prices
- maximising how efficiently we use our energy to safeguard affordability, economic productivity and our environment
- maximising the proportion of energy that comes from our abundant renewable energy resources

- reducing our greenhouse gas emissions
- promoting environmentally sustainable technologies.

Nearly 50 separate actions are then proposed under six topic areas covering similar issues as the six thematic areas above:

- resilient, low carbon transport
- security of electricity supply
- low emissions power and heat
- using energy more efficiently
- sustainable technologies and innovation
- affordability and wellbeing.

Examples of these proposed actions are:

- decision on and implementation of a minimum biofuels sales obligation
- implementing measures to limit emissions from fossil-fuel-based electricity generation and industrial heat
- providing greater support for the use of solar water heating
- exploring the potential for carbon capture and sequestration in New Zealand
- considering a consolidated consenting process for wind and /or geothermal generation projects.

New Zealand Energy Efficiency and Conservation Strategy

The draft *New Zealand Energy Efficiency and Conservation Strategy* (NZECS), released by the Energy Efficiency and Conservation Authority (EECA), presents more detailed sector-based action plans to support the energy efficiency, energy conservation and renewable energy objectives of the NZES. It focuses on the next five years and will replace the existing National Energy Efficiency and Conservation Strategy (NEECS) that was developed in 2001. Its principles include:

- maintaining security of energy services is essential and should encompass consideration of supply and demand-side alternatives
- investment should occur in energy efficiency measures where this is cheaper than the long-term costs of building extra supply capacity, including environmental costs
- for the foreseeable future, it is preferable that all new electricity generation is renewable, except to the extent necessary to maintain security of supply
- where fossil fuel is utilised, priority should be given to using the lowest carbon fuel available
- new forms of renewable energy that can become competitive with fossil fuels over the next ten years will be supported.

The proposed actions are grouped under the following objectives:

- better products: using less energy and saving more money
- healthy homes: more comfortable with less energy
- smarter commercial buildings: more productive work environments
- increased energy productivity in industry
- sustainable agriculture: efficient and low-carbon farms, orchards and vineyards
- further on a full tank
- efficient freight movement
- introducing renewable transport fuels
- living and working: better mobility, lifestyles and communities
- smart electricity networks: getting the most from our electricity sector
- clean electricity and heat: more energy from renewable sources
- Government leading the way: partnership and innovation.

The actions include a mixture of existing activities and proposed actions. Examples of proposed actions are:

- establish a Minimum Energy Performance Standard for new government buildings
- use appropriate pricing signals to influence the purchase cost and use of vehicles
- assess options for renewable electricity use in the transport sector
- facilitate early deployment of wave and tidal technologies.

Transitional Measures

The discussion document *Transitional Measures*, developed by MED as part of the NZES, is specifically focussed on the climate change impacts of energy supply. It focuses on ways to move towards low emissions stationary (non-transport) energy supply between 2007 and 2015, and to facilitate the transition to greenhouse gas pricing in the future (post-2012). The principles applied by the government include:

- investors in new generation should face, either immediately or over a transitional period, a price signal that reflects the value of greenhouse gas emissions avoided for renewable fuels relative to fossil fuels
- owners of existing fossil fuel generation should follow a transitional path to facing the full cost of greenhouse gas emissions
- the effect of any transitional measures on electricity prices should be gradual.

A variety of policy measures are discussed, including:

- emissions trading
- a CO₂ charge

- renewable obligations
- incentives/subsidies
- project based measures
- direct regulatory options
- voluntary measures.

Measures to Reduce Greenhouse Gas Emissions in New Zealand Post-2012

This discussion document focuses on climate change policy after the end of the first commitment period of the Kyoto Protocol — that is, post-2012. It assesses similar measures to the *Transitional Measures* discussion document, specifically:

- emissions trading (which would provide certainty on the amount of emissions)
- greenhouse gas charge (which would provide certainty on the cost of emission reduction)
- other regulatory approaches (including giving local government more responsibility under the Resource Management Act (RMA))
- emission reduction agreements (voluntary or mandatory with a firm or sector).

No actual government policy is proposed, other than a preference to move to a broad price-based measure, with a further preference for emissions trading if the conditions are right. Policy decisions will be based on the future international situation, which is currently uncertain. It may focus on certain sectors before others.

Sustainable Land Management and Climate Change

This discussion document, produced by the Ministry of Agriculture and Forestry, focuses on the agriculture and forestry sectors' mitigation of and adaptation to climate change. It does not address urban development issues like compact growth or transport systems. The document includes the following four “pillars”:

- adapting to climate change
- reducing emissions and creating carbon sinks
- capitalising on business opportunities (e.g. bioenergy from crops)
- working together (e.g. demonstration farms).

For the agricultural sector, the discussion document focuses on nitrogen use, rather than on methane. For the forestry sector, options proposed include afforestation grants or ‘carbon sink credits’ for new forests, and a tradable permit system or a flat charge for deforestation.

5. Discussion

The attached submissions are generally supportive of the *New Zealand Energy Strategy* and the *New Zealand Energy Efficiency and Conservation Strategy*. Hundreds of actions are proposed, nearly all of which will lead to progress towards energy security, energy efficiency and conservation, more use of renewable energy sources, and a reduction in greenhouse gas emissions.

There are, however, a few concerns, some of which are being raised in a forthcoming submission by Local Government New Zealand (LGNZ) on behalf of the local government sector:

- The two strategies are short of detail. In particular, the NZEECS is meant to support the NZES but falls well short of the detailed targets and measures required.
- Because of the role of local government and the impact of central government policy on local communities, the local government sector will need to be involved in discussions that lead to the required detail of policy design and implementation.
- The drivers for responding to climate change issues are not just economic but environmental and social, relating to wider concepts of sustainability and quality of life.
- Urban form and land use are some of the foremost drivers of consumer energy demand, because of their influence on travel patterns and infrastructure needs. The NZES should put further emphasis on this issue. To support the NZES, central government should engage in in-depth discussion with local government on ways to promote urban form, structure and design that is more sustainable from an energy use and climate change perspective. Regional co-operation can provide efficiencies in this regard.

In officers' view, no separate submission is required by the Council on the discussion document *Transitional Measures*, both because the document is technically part of the NZES and because the Council is not an energy supplier. The relevance to the Council is mostly that it will influence the price of energy consumed by the Council. For example, a price of \$25 per tonne of CO₂ would result in an increase of 2.41 cents per kilowatt-hour (c/kwh) for coal-generated electricity, and 0.87 c/kwh for gas-generated electricity. The government's stated intention of making the effect on electricity prices gradual should assist the Council in adjusting to any increase in price caused by these transitional measures.

The submission to the discussion document *Measures to Reduce Greenhouse Gas Emissions in New Zealand Post-2012* is brief. This is mostly because, again, the Council is not an energy producer and is likely to be impacted mostly through its role as a consumer of energy. Any price-based measure would raise the cost of fossil-fuel-based energy such as petrol, diesel, and electricity generated by fossil fuel. The measures would be designed to cover the environmental cost of greenhouse gas emissions. Regardless of the price-based measure chosen, the Council would be in the same position as other consumers of energy in New Zealand. The Council should prepare for eventual carbon

pricing by reducing its fossil fuel usage, and it should continue to promote the same within the community.

The submission on the *Measures to Reduce Greenhouse Gas Emissions in New Zealand Post-2012* document focuses on one issue: the value of a non-price-based measure related to the RMA. Options include amending the RMA to restore local government's ability to consider climate change impacts, and central government provision of a National Policy Statement or National Environmental Standard. These RMA-based measures would impact the Council's planning functions by adding another consideration to the resource consent process, and would require sufficient guidance and resourcing.

The submission on the *Sustainable Land Management and Climate Change* document focuses on forestry options, as Wellington has relatively little agricultural land use. However, because methane (from animals and waste) is 21 times more powerful than carbon dioxide as a greenhouse gas, and nitrous oxide (from nitrogen-enriched soils) is 310 times as powerful, the Council should ensure it remains abreast of any opportunities to minimise the city's contributions from this sector.

With respect to commercial forestry, the Council owns approximately 180 hectares of forest planted prior to 1990. This includes two commercial forests (Spicers Forest at 43 hectares and Clelland Forest at 23 hectares) and approximately 115 hectares of mixed exotic forest in reserve land and the Town Belt.

The options described in this discussion document could influence the Council's forestry and revegetation activities. For example, a possible charge for deforestation could have financial implications for the Council, depending on what the Council chooses to do with land such as Spicer Forest after the pines are harvested. One of the options in the discussion document is for an allowable number of hectares to be harvested annually, which may cover any smaller-scale logging such as the removal of hazardous trees in the Town Belt.

The financial benefits and risks arising from the Council's future forestry and revegetation activities are currently being quantified in preparation for the government's proposed launch of a Permanent Forest Sink Initiative (PFSI) later this year. This analysis will be relevant for the options in this discussion document as well.

The submission supports afforestation grants or carbon sink credits for new forests. It also highlights that the Council would like to be involved in decisions about any deforestation charges or permit systems, given the implications for its forestry and revegetation activities.

6. Conclusion

The attached submissions are generally supportive of the Government's proposed direction on energy and climate change. This direction is consistent with the Council's Environmental Strategy, which prioritises energy efficiency

and conservation because of the economic benefits as well as environmental issues like climate change. By making submissions on these documents, the Council is taking an active role in the national debate that will shape the economic and environmental future of New Zealand.

Notwithstanding this general support for the Government's proposed direction, the submissions endorse the LGNZ view that there are many details yet to be resolved with respect to the further development and implementation of these proposals, and that the local government sector needs to be actively involved in discussions on these details. Further, the submissions raise some additional points specifically relevant to Wellington City Council.

Submissions on these documents close on Friday, 30 March 2007.

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Supporting Information

1) Strategic Fit / Strategic Outcome

Consistent with the Council's Environmental, Transport, and Urban Development Strategies.

2) LTCCP/Annual Plan reference and long term financial impact

Not applicable.

3) Treaty of Waitangi considerations

Nil.

4) Decision-Making

This decision does not trigger the significance policy. This submission is important in advancing the interests of the Council with respect to national energy and climate change policy.

5) Consultation

a) General Consultation

Not applicable.

b) Consultation with Maori

Not applicable.

6) Legal Implications

Nil.

7) Consistency with existing policy

Consistent with current policy as set out in the Council's Environmental Strategy and commitment to the Communities for Climate Protection (CCP-NZ) programme.