

3 February 2023

Chair
Environment Committee
Parliament Buildings
Wellington

Via email: en@parliament.govt.nz

SUBMISSION ON THE NATURAL AND BUILT ENVIRONMENT BILL

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Natural and Built Environment Bill.

ERANZ is the industry association representing companies that sell electricity to kiwi households and businesses. Our members supply over 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

ERANZ does not require an oral submission to the Committee.

Executive Summary

Transitioning our economy to zero-emissions is one of New Zealand's primary challenges over the next 30 years. Achieving it will require focus and coordination across all sectors including government policy. For the energy sector, it means converting all electricity generation to renewables and converting other fossil fuel sectors, such as transport and industry, to electricity.

New Zealand can succeed if the required large investments in infrastructure are made. ERANZ urges the Committee to keep this point top-of-mind when considering the Bill.

The Natural and Built Environments Bill emphasises the importance of environmental outcomes and limits as crucial aspects of the legislation. The bill outlines "system outcomes" that focus on protecting and restoring natural and cultural values using stronger language such as "protection," "restoration," and "conservation." In contrast, the language used for the climate change, natural hazard and infrastructure outcomes, such as reducing emissions and risk, is less stringent.

It's crucial that these environmental outcomes can be balanced with other considerations, such as climate change and infrastructure. If the bill prioritises natural and cultural values to the point where there is no room for addressing climate change and infrastructure needs, then the response to these important issues will be insufficient.

Similarly, the Bill creates environmental limits, also known as ecological bottom lines, within the National Planning Framework, which has yet to be developed. These limits need to be balanced, so they do not just favour protecting the environment over implementing effective solution for addressing climate change, natural hazards, and infrastructure needs.

Building infrastructure and renewable electricity generation results in large positive effects, however, trade-offs with natural and cultural values are unavoidable. There needs to be a clear

pathway, reflected in the system outcomes and supported by the intended National Planning Framework that allows for these conflicts to be resolved so we can address challenges like climate change and built a better New Zealanders.

State of the electricity sector

Our electricity sector is currently undergoing one of its most profound transitions as New Zealand, along with many other countries, seek to drastically reduce greenhouse gas emissions.

ERANZ supports New Zealand's drive towards a 100% renewable electricity system. The Climate Change Commission's pathway to reducing emissions involves electrifying our light transport fleet as well as commercial heat sources. Eventually, New Zealand will also need to electrify our heavy vehicle fleet and industrial heat sources. The recent Boston Consulting Report 'The Future is Electric' shows this massive increase in demand requires \$42 billion of investment this decade in new renewable generation sources alongside large-scale capacity increases in our distribution networks and grid transmission infrastructure.

Achieving this ambitious infrastructure roll-out requires the government to remove potential barriers to constructing new generation and transmission assets as well allowing streamlined consent extensions for existing infrastructure. Consumers making the switch from fossil fuels to electricity need to have confidence ever greater amounts of renewably generated electricity will be available to meet increasing demand.

Opportunity to improve the Resource Management Act

The Resource Management Act ('RMA') in New Zealand has been criticised for several weaknesses in relation to energy supply and electricity generation, including:

- Lack of clear and consistent national policy direction for energy and electricity generation, which can lead to confusion and uncertainty for developers and investors.
- Inadequate provisions for the consenting and subsequent connection of renewable electricity sources, such as wind and solar power, into the grid.
- Limited ability to account for the external benefit of renewable electricity generation and transmission, such as reducing carbon emissions, in the decision-making process.
- A lengthy and uncertain consenting process, which can create delays and additional costs for developers and investors.
- Limited ability for the RMA to address cross-boundary issues, such as the transmission and distribution of electricity across regions.

Environmental limits

The proposed Natural and Built Environments Bill, places a significant emphasis on environmental outcomes, limits, and targets. This sets expectations for development and environmental performance. The Bill states that there is no hierarchy between outcomes, however, based on the current wording, it seems that the "protection" of the natural environment is favoured.

This means, there is no clear permission structure for the renewable electricity infrastructure required to meet New Zealand's emissions reduction targets. This is particularly problematic for hydro generation of renewable electricity because its characteristics underpin our entire electricity system. Namely, hydroelectricity is storable (unlike wind and solar), is able to be quickly stopped and started, and provides large amounts of consistent baseload supply. In addition, the return on capital for hydro-electricity provides for many companies' investments into new wind and solar generation.

The role of environmental limits is likely to become unintentionally problematic. Most renewable electricity generation and transmission has a non-zero impact on the environment. So, by setting bottom lines for the natural environment, the legislation risks the infrastructure build out necessary for New Zealand to electrify the economy and reduce emissions. ERANZ submits the solution is for very close engagement with the electricity sector in the setting of such limits, together with a well-functioning exemptions regime where requests can be made by any party, is not contingent on any other process, and is not time limited. Currently, the provision of narrow, time-limited exemptions that NBE Committees must justify to the Minister in certain circumstances could allow for large infrastructure projects to proceed, but at the cost of greatly increased uncertainty and risk for infrastructure providers.

Particularly concerning is Clause 277(4)(a) of the Bill which provides for the retrospective application of environmental limits. Given the very large investment in renewable electricity required to meet New Zealand's energy and emissions targets, it will undermine investment certainty to have the possibility of consents being removed for any existing or new generation.

Additionally, a new regime has been established for places of national importance, such as significant biodiversity areas, cultural heritage places, highly vulnerable biodiversity areas, and critical habitats. Development in these areas is heavily restricted, with a different exemption regime being extremely strict, making these locations effectively off limits. Yet, the reality of renewable electricity generation is that operational and functional needs often require it to be located in these places as that is where the resources are.

Role of climate change considerations

ERANZ supports the need for principles for allocating resources, but submits that a principle should be included to promote the system outcomes outlined in the bill. As explained above, maintaining access to renewable resources for electricity generation is crucial for reaching a zero emissions economy. The current electricity system in New Zealand heavily relies on the adaptability of hydro generation to handle high demand and the variability of other renewable sources, particularly wind and solar. This reliance is expected to increase as more wind and solar generation is introduced.

Precautionary approach

The NBE Bill establishes a new set of principles to guide decision-making including a precautionary approach in situations where there is uncertainty or inadequate information. ERANZ is concerned such a wide-ranging provision - without any balancing provision favouring renewable electricity infrastructure - could enable project opponents to mount objections without the scientific research to support their claims. Again, this could increase the risks and uncertainty for infrastructure providers to build, maintain and operate the renewable electricity assets New Zealand needs to reduce carbon emissions.

Conclusion

ERANZ would like to thank the Committee for your consideration of our submission.

Yours sincerely

Bridget Abernethy
Chief Executive