
REPORT 1
(1215/52/IM)

SUBMISSION TO THE DRAFT NEW ZEALAND ENERGY STRATEGY

1. Purpose of Report

This report seeks the Committee's agreement to the Council's draft submission (attached as Appendix 1) to the draft New Zealand Energy Strategy (NZES) and the draft New Zealand Energy Efficiency and Conservation Strategy (NZEEDCS).

2. Recommendations

Officers recommend that the Strategy & Policy Committee:

- 1. Receives the information.*
- 2. Agrees to the draft submission (attached as Appendix 1) to the draft New Zealand Energy Strategy and the draft New Zealand Energy Efficiency and Conservation Strategy.*
- 3. Delegates to the Mayor and the Chief Executive the authority to make any changes required to reflect the decisions of this Committee, prior to the submission being sent to the Ministry for Economic Development.*

3. Background

The Ministry for Economic Development (MED) released the draft NZES for public consultation, which is attached as Appendix 2. The NZES proposes the Government's priorities and direction for energy and outlines the role energy will play in the New Zealand economy. The last section of the draft NZES is the draft NZEEDCS, which aims to provide direction on energy efficiency, renewable energy and energy conservation. The draft NZES and draft NZEEDCS replace the previously agreed strategies, which were passed in 2007. Consultation closes on the NZES and NZEEDCS on 2 September.

4. Discussion

Energy is vital to our quality of life, economy, society and culture. It is therefore very important to have strategies that identify long-term plans to ensure that energy is secure and affordable. Energy strategy is also important in addressing issues such as climate change (i.e. around 45% of New Zealand's greenhouse gas

emissions are from energy), economic development opportunities from new energy technologies and long-term risks such as potential oil price shocks.

The scope and impact of the NZES spreads across several Council portfolios including economic development, transport and urban development, climate change, environment and social and recreation.

4.1 The NZES

The key priorities and areas of focus of the draft NZES are outlined in Table 1 below. The over-arching goal is “making the most of our energy potential”.

Table 1: Priorities and areas of focus of the draft NZES

Priorities	Areas of Focus
Develop resources	1. Develop petroleum and mineral fuel resources
	2. Develop renewable energy resources
	3. Embrace new energy technologies
Secure and affordable energy	4. Competitive energy markets deliver value for money
	5. Oil security and transport
	6. Reliable electricity supply
Efficient use	7. Better consumer information to inform energy choices
	8. Enhance business competitiveness through energy efficiency
	9. An energy efficiency transport system
	10. Warm, dry, energy efficient homes
Environmental responsibility	11. Best practice in environmental management in energy projects
	12. Reduce energy-related greenhouse gas emissions

The most significant shift from the previous NZES is to maximise economic development opportunities from petroleum and other mineral fuel reserves. This would entail “exploration, development and full utilisation” of New Zealand’s petroleum basins and further development of New Zealand’s gas reserves.

The draft NZES also includes objectives of continuing to expand New Zealand’s renewable energy resources, specifically geo-thermal, wind and bio-energy.

While the draft NZES proposes several “desirable long-term outcomes”, there is little discussion on how each outcome will be achieved including outcome specific targets, milestones and implementation strategies. Consequently, the draft NZES appears to have a much shorter-term focus than the previous NZES, which was looking at a 2050 horizon.

4.2 The key submission points

The draft submission points reflect the advocacy actions included in the Council’s 2010 Climate Change Action plan as well as the outcomes and priorities in the Council’s 2009/19 Long Term Council Community Plan.

The Council's draft submission supports some specific components of the draft NZES including:

- maintaining the target of 90 percent of electricity generation from renewable sources by 2025
- growing New Zealand's geothermal, wind and biomass-to-energy capabilities
- ensuring New Zealand's energy is affordable
- assisting consumer awareness
- supporting business energy efficiency and the Warm Up New Zealand programme
- extending minimum energy performance standards for products
- developing building performance rating tools.

However, the Council's draft submission argues that the NZES does not provide a coherent long-term strategy to ensure New Zealand's energy future. The NZES has a short-term outlook and focuses predominantly on revenue opportunities. Risks relating to oil supply and price rises, environmental issues with undersea oil extraction and energy-related greenhouse gas emissions receive only general analysis as opposed to specific strategies for managing these risks.

The Council submission recommends a stronger focus on clean energy (and less on fossil fuels), which would support the region's work on developing a centre of excellence for clean technology under the Regional Strategy and also help to strengthen New Zealand's "100 % Pure" brand. The NZES implies an increased reliance on fossil fuel resources, including exploring the conversion of coal into liquid fuels. The draft NZES does not signal a focus towards a clean energy future (contrary to the position taken by most other OECD countries).

Other key points in the draft Council submission are:

- inconsistent priorities - identifying contradictions within the draft NZES, which seeks to increase development and reliance on fossil fuels while at the same time reduce greenhouse gas emissions
- climate change targets - recommending clearer linkages between how the NZES will contribute towards New Zealand's emission reduction targets for 2020 and 2050
- future of existing programmes – recommending more clarity on the future of several existing clean-energy programmes
- role of regulation and incentives – recommending using the Building Code to set higher standards for energy performance in buildings
- dealing with risk – recommending a stronger plan to reduce the risk of potential limited oil price shocks in New Zealand as well as risks of deep-sea oil drilling off New Zealand's coast
- working with local government – recommending clearer guidance on opportunities for central and local government to work together.

More detailed discussion of the above points is contained in the submission.

5. Conclusion

The report requests that the Committee approve the Council's draft submission (attached as Appendix 1) to the draft NZES and NZEECS.

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Supporting Information

1) Strategic Fit / Strategic Outcome

The draft NZES and the Council submission relates to outcomes of the Environmental Strategy, the Transport Strategy, the Economic Development Strategy and the Council's work on climate change.

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

There are no financial implications.

3) Treaty of Waitangi considerations

No considerations identified

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

The Council participated in a work-shop with local government partners on the draft NZES.

b) Consultation with Maori

No consultation was undertaken with mana whenua.

6) Legal Implications

No legal implications identified.

7) Consistency with existing policy

The submission is consistent with Council policies.