GREYMOUTH GAS

30 October 2023

Ministry of Business, Innovation and Employment
electricitymarkets@mbie.govt.nz

Dear MBIE,

Re: Measures for Transition to an Expanded and Highly Renewable Electricity System – AUGUST 2023

The Greymouth Group of companies has New Zealand's largest holding of 1.1.23 2P remaining reserves (at Turangi). Greymouth is submitting on selected questions, having also submitted on the gas transition and fossil fuel ban papers.

1. *Are any extra measures needed to support new renewable generation during the transition?*

Yes – the government should drop its 100% 'renewable' objectives which are widely considered to be expensive and sub-optimal.

5. *Are any measures needed to support storage (such as battery energy storage systems or BESS) during the transition? If yes, what types of measures do you think should be considered and why?*

Yes, gas storage must be in the mix. It is a cheap and proven way to firm system intermittency and extend the runway.

8. *Are any measure(s) needed to support existing or new [natural] gas fired peaking generation, so as to help keep consumer prices affordable and support new renewable investment?*

Yes –TCC's signalled intention to exit along with calls for more gas peakers to firm renewables signifies market failure.

10. *If you answered yes to question 8 above, what rules would be needed so that [natural] gas generation remains in the electricity market only as long as needed for the transition, as part of phase down of [natural] gas?*

This question is non-sensical – how could rules that stop future return on investment encourage investment in the first place?

11. *Are there any issues or potential issues relating to gas supply availability during electricity system transition that you would like to comment on?*

Yes – gas supply will be available for those who value it the highest (i.e. in a competitive market with prices that go up and down). As MBIE says, *"the reserves data shows we have enough [natural] gas to support New Zealand through the transition to a fully renewable system"*.[1]

12. *Do you agree that specific measures could be needed to support the managed phasedown of existing fossil fuel plants, for security of supply during the transition?*

Yes – retention of the ETS and, separately, measures to generate power from natural gas rather than coal, and to thereby halve emissions intensity regardless of phase-down trajectory, will be required.

16. *What new measures could be developed to encourage large industrial users, distributors and/or retailers to support large-scale flexibility?*

Let the market work without government intervention.

18. *Do you agree that the key competition issue in the electricity market is the prospect of increased market concentration in flexible generation, as the role of fossil fuel generation reduces over time?*

No – it is about vertical integration and access to products for smaller participants.

58. *Are there gaps in terms of information co-ordination or direction for decision-making as we transition towards an expanded and more highly renewable electricity system and meeting our emissions goals? Please provide examples of what you'd like to see in this area.*

Yes – thinking about industries in isolation limits systems thinking. Contemporaneously, the choice of narrative can close-down or open-up pathways. Putting consumers at the centre of the energy strategy is not compatible with sustainability objectives given over-consumption has contributed to many of the planetary boundary exceedances.[2]

61. *How should the government balance the aims of sustainability, reliability and affordability as we transition to a renewable electricity system?*

It should not. Rather, the government should adopt sustainability as an imperative then balance the aims of reliability and affordability. This shift is important because:

- First, New Zealand is not transitioning to a renewable electricity system (it already has this by and large) but is transitioning to a net zero CO_{2e} emissions system by 2050.

- Second, the requirement for climate change outcomes is legislated and climate change is one of the planetary boundaries (which are the backbone of sustainability science).[3]

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[1] https://www.stuff.co.nz/business/132600722/we-have-enough-gas-to-support-nz-through-to-a-fully-renewable-system-ministry-clarifies

[2] https://phys.org/news/2021-11-nations-overusing-natural-resources-faster.html

[3] https://www.science.org/doi/10.1126/science.1259855

This must mean that sustainability is a non-negotiable that should be achieved, not balanced (or traded-off).

The question should be about how the government should balance the aims of reliability and affordability as society strives towards its climate / sustainability objectives. Framing it this way helps unpack the theory. The benefit is to synthesise thinking for strategists and decision makers into a two-fold test:

a. Does the impact of something not exceed any planetary boundary or is the impact of that thing a prerequisite of, or part of a demonstrable pathway towards, a future state that does not exceed any planetary boundary (when considering transitional trade-offs between planetary boundaries)?

b. If so, what are the various options for that thing vis-à-vis affordability of risk management tools?

Through the lens of a. it must be clear that natural gas has a key transitional role to play to displace coal use locally and offshore, and that deciding whether something is renewable or not is not the same as considering the gambit of lifecycle sustainability / climate impacts.

Yours sincerely