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Tenā koe

Waikato Regional Council feedback on the Consultation on Advancing New Zealand's Energy Transition

Thank you for the opportunity to provide feedback to the consultation on Advancing New Zealand's Energy Transition. Please find attached the Waikato Regional Council's staff comments, signed under delegation by the Director of Science, Policy and Information.

Should you have any queries regarding the content of this document please contact Dawn Pritchard, Senior Policy Advisor, Policy Implementation, directly on 07 949 5153 or by email dawn.pritchard@waikatoregion.govt.nz.

Ngā mihi,

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Staff Feedback from Waikato Regional Council on the consultation on Advancing New Zealand's Energy Transition

Introduction

1. Waikato Regional Council staff appreciate the opportunity to provide feedback on the consultation on Advancing New Zealand's Energy Transition.
2. It is acknowledged that the submission recognises the commitment the government has made to reaching net zero for all greenhouse gas emissions and the targets set for renewable electricity.
3. The submission supports proposed provisions aimed at mitigating the impacts of climate change including reducing the use of fossil fuels as well as providing for renewable energy infrastructure.
4. Our feedback is summarised below:
 - a) Maintaining a level of gas supply is considered crucial for reliability and continuity particularly for electricity purposes during the time period of phasing out fossil gas from the energy sector. It is recommended that any potential implications be further explored;
 - b) It is recommended that white hydrogen (a naturally occurring subsurface pockets of hydrogen that can be extracted) should be explored as an alternative option;
 - c) The submission supports further rounds of consultation on the development of a framework for offshore renewable energy. Further consultation could maximise opportunities for good offshore projects and minimise future obstacles;
 - d) The submission notes that 40 years is an appropriate maximum commercial permit duration and agrees with the preferred consenting sequence option of Feasibility Permit – Environmental Permit – Commercial Permit;
 - e) The submission agrees in part that there be an opportunity for public submission on the commercial permitting decision in a manner that provides for genuine public participation;
 - f) We agree that market power may act as a barrier to investment or entry. We also note that the existing system does not currently address the crucial matter of equity. Future changes to address this inadequacy will need to consider disparities in electricity prices and accessibility across different regions.
 - g) There should be consideration of whether the functioning of a competitive market can be aligned with New Zealand's climate change objectives for adaptation and mitigation, and if so, what changes are needed to determine this.
5. We look forward to future consultation processes to implement future policy and would welcome the opportunity to comment on any issues explored during their development.
6. Table A (attached) responds to those questions raised in the consultation documents relevant to the council's functions and experience that we hope will aid with informing future policy, the direction and pace of change for energy in New Zealand.

Submitter details

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Table A: Waikato Regional Council submission on 'Advancing New Zealand's Energy Transition.

Questions – Gas transition plan- Issues Paper	Response
<p>Q.1. When and how should fossil gas use be phased down to help meet NZs emissions reduction objectives, while maintaining security of supply for fossil gas consumers and the energy system?</p>	<p>We acknowledge that the phasing out of fossil gas from the energy sector has been prompted by the government's commitment to meet emission reduction targets combined with the opportunity to switch to alternative low emission technologies in the natural gas market.</p> <p>We remain neutral regarding the timeliness of when and how fossil gas is to be phased out due to uncertainties and the lack of detail in the consultation document to understand how this will occur and the actual efficiency and/or reliability of any substitute energy source. Staff recommend that implications be further explored.</p> <p>We agree with the retention of gas supply to be maintained to support NZs energy systems, particularly for electricity, until such a time it is no longer needed. We consider this to be crucial for reliability and continuity given the uncertainty of the alternative. We also agree with the statement to prioritise consumer needs and maintain consistent investment in gas supply.</p>
<p>Q.2. What is the appropriate role for renewable gases like biomethane and hydrogen and technologies like carbon capture and storage, which offer promising ways to reduce emission through the transition phase?</p>	<p>We note, that the MBIE documents do not mention the possibility of finding white hydrogen (extractable naturally occurring subsurface pockets of hydrogen). This has occurred in other countries. We therefore recommend surveying the likelihood of New Zealand having white hydrogen, its possible location, size and accessibility.</p>
Questions – Measures for transition to an expanded and highly renewable electricity system	Response
<p>Q.3. How do we ensure sufficient investment in new renewable generation to expand our electricity system for electrification and to replace retiring fossil fuel generation?</p>	<p>We recommend applying the United Nations Framework classification (UNFC) of resources to all proposed energy provision projects. UNFC quantitatively assess energy projects of any type against criteria in social, environmental, technological and uncertainty aspects.</p>
<p>Q.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?</p>	<p>We agree that this is an important potential issue. Market power may act as a barrier to investment or entry and encouraging rent-seeking behaviour resulting in higher prices to consumers.</p>

Q.19. Aside from increased market concentration of flexible generation, what other competition issues should be considered and why?	We recommend the government considers whether the functioning of a competitive market can be aligned with New Zealand’s climate change objectives for adaptation and mitigation, and if so, what changes are needed to determine this.
Q.20. What extra measures should or could be used to know whether the wholesale electricity market reflects workable competition, and if necessary, to identify solutions?	We do not have a view on specific measures. However, we consider that regulation of pricing is a key tool. We note that regulation of water pricing through local government legislation (for example, in Auckland) may be a useful model. We recognise that, while this may help ensure consumers are not exposed to high prices, it would fundamentally change the competitive model of the sector. It may, for example, give rise to issues of shortages and the need for rationing, but noting that public provision and or subsidies encourage the necessary investment in capacity.
Q.21. Should structural changes be looked at now to address competition issues, in case they are needed with urgency if conduct measures prove inadequate?	Yes. There is uncertainty regarding the adequacy of conduct measures, thus, it is advisable to have considered any alternative or additional structural changes that may be required.
Q.22. Is there a case for either vertical separation measures (generation from retail) or horizontal market separation measures (amending the geographic footprint of any gentailer) and, if so, what is this?	Yes. This has the potential to address the question of a build-up of market power in particular operators. We do not support the horizontal separation of operators if it results in the disaggregation of stations on a single river chain (such as those on the Waikato River), since this has the potential to complicate and increase the costs of water resource management.
Q.26. Do you think a single buyer model for the wholesale market should be looked at further? If so, why? Why not?	Yes. Given the size of the issues related to climate change adaptation and mitigation, we believe the single buyer model may provide the controls necessary to ensure that energy supply aligns with New Zealand’s objectives. We note that the current arrangement, prioritising efficiency is not designed to address equity issues, including spatial variations in price and access to electricity. Under the Spatial Planning Act 2023, we note that spatial variations in access to energy will be a consideration in the development of spatial plans.
Questions – Developing a regulatory framework for offshore renewable energy	Response
Q.1. Following an initial feasibility permit application round, should there be both an open-door policy and the ability for government to run subsequent rounds? If not, why not?	Yes, we understand the intent is to maximise opportunities for good offshore projects and enabling subsequent rounds provides flexibility and subsequently minimisation of obstacles to apply.
Q.2. What size of offshore renewable energy projects do you think are appropriate for a New Zealand context?	Given the rigorous and public nature of the proposed consenting regime, the size of offshore renewable energy projects is considered implicit.

Q.3. Do you think the maximum size of a project should be put forward by developers and set out in guidance material, rather than prescribed in legislation? If not, why not?	Yes, as this relies on the regulator applying a “reasonableness” criterion which gives appropriate flexibility to developers”.
Q.4. Should there be a mechanism for government to be able to compare projects at the commercial stage in certain circumstances? If yes, would the approach outlined in Option 2 be appropriate or would there be other ways to achieve the same effect?	Yes, due to the scale of offshore projects, we believe there should be a role for a regulator to compare projects at the commercial permit stage.
Q.5. Are the proposed criteria appropriate and complete? If not, what are we missing?	At this stage, we have no concerns to raise.
Q.6. Should there be mechanisms to ensure developers deliver on the commitments of their application over the life of the project? If yes, what should these mechanisms be?	Yes, but we consider it would depend entirely upon the nature of the commitment. For commitments where compliance is expected, this expectation should be explicitly clear in the permit given. Whether deviations from a management plan should trigger enforcement also depends on the nature and purpose of the management plan
Q.7. Is 40 years an appropriate maximum commercial permit duration? If not, what would be an appropriate duration?	Yes, we agree that 40 years is considered to be long enough from a security investment perspective. .
Q.8. Should a developer that wishes to geographically extend their development be required to lodge new feasibility permit and commercial permit applications? Why or why not?	Yes, we believe increasing the physical footprint of the development potentially raises new considerations related to environmental, social/cultural or project viability matters. It is important that the regulator is able to look at these matters afresh and in full.
Q.17. For each individual development, should a single consent authority be responsible for environmental consents under the RMA and the EEZ Act? Why or why not?	Yes, we believe it better enables an integrated “joined up” approach and greater consistency (both within a single project and between projects).
Q.18. Do environmental consenting processes adequately consider environmental effects such that it is not necessary to duplicate an assessment of environmental effects in the offshore renewables permitting regime?	Yes, we agree.
Q.19. Should the offshore permitting regime assess the capability of a developer to obtain the necessary environmental consents? If not, why not?	Our view is that the offshore permitting regime should not assess the capability of a developer to obtain the necessary consents because: <ol style="list-style-type: none"> 1. To do so is deemed to be un-necessary (i.e. a developer has to both “pre-persuade” the permitting authority that it will get the necessary consents and then actually get them. 2. There would be uncertainty as to whether it would be possible to draw upon a robust set of criteria for assessing the likelihood of grant or decline. 3. Introduces a stand-alone permitting provision.

	4. (4) There is no similar precedent for the approach being advocated relating to the interplay between other legislation (e.g. mining or building legislation) and resource management legislation.
Q.20. What is the optimum sequencing between obtaining feasibility permits, commercial permits and relevant environmental consent(s)?	We suggest the optimum sequencing should be: Feasibility → Environmental Permits → Commercial Permits. This sequence appears to work for large land-based developments such as new geothermal power plants.
Q.28. Should developers be required to submit a decommissioning plan, cost estimate, and provide a financial security for the cost estimate? If not, why not?	Yes, we agree.
Q.29. Should the decommissioning plan, cost estimate and financial security be based on the assumption of full removal?	Yes, however, we also suggest that exploring the option to propose a lesser alternative at the appropriate time could potentially be supported. Further investigation into this possibility is warranted.
Q.30. What are your views on the considerations set out in relation to the calculation of the cost estimate and financial security value or suggested approach for financial security vehicle?	We recommend that costs should be calculated and will need to take into consideration whom will be doing the decommissioning given the bond/security will only be called upon in the event that the developer is unwilling or unable to do the work. We remain uncertain as to the preferred form of the security.
Q.31. What should the developer be required to provide in relation to decommissioning at the feasibility application stage?	We advise that the limited matters itemised in the document are sufficient. We consider a more robust assessment will be necessary at the commercial permitting stage.
Q.32. What ongoing monitoring approach to you think is appropriate for the decommissioning plan, cost estimate and financial security?	It is considered that these should be assessed on an individual basis depending on the scale, significance, and impact of the activity undertaken. The appointment of “peer review panel” to determine sufficiency of monitoring approach may be beneficial. This would be appointed by, and act on behalf of, the regulator and comprise of relevantly qualified/experienced experts who would meet at scheduled times, or as required, to consider just these sorts of matters.
Q.34. Should offshore renewable energy projects applying for a consent to decommission be required to provide a detailed decommissioning plan related to environmental effects for approval by consent authorities?	Yes, we agree.
Q.35. How can the design of the regulatory regime encourage compliance so as to reduce instances of non-compliance?	. One option is to emphasise the need for compliance at the permit approval stage and require, as a condition of permits, developers to establish a dedicated compliance unit or

	position. Alternatively, or in addition, the peer review panel discussed in response to question 32, above, could also have a role in the ongoing monitoring of compliance.
Q.36. Is the compliance approach and toolbox, described above, appropriate for dealing with non-compliance within the regulatory regime?	Yes, we agree it is appropriate.
Q.38. Should there be an opportunity for public submission on the commercial permitting decision? What would this capture that the environmental consent decision does not? If not, why not?	Yes, we agree.