PSA submission on advancing New Zealand's energy transition

November 2023

About the PSA

The New Zealand Public Service Association Te Pūkenga Here Tikanga Mahi (the PSA) is the largest trade union in New Zealand with over 90,000 members. We are a democratic and bicultural organisation representing people working in the public service (including departments, crown agents and other crown entities, and state owned enterprises); local government; the public health sector; tertiary education institutions; and non-governmental organisations working in the health, social services and community sectors.

Te Rūnanga o Ngā Toa Āwhina is the Māori arm of the PSA membership. The PSA is affiliated to Te Kauae Kaimahi the New Zealand Council of Trade Unions, Public Services International and UniGlobal. The PSA is a supporter of Trade Unions for Energy Democracy.

Our Eco Network represents over 3,000 members working across public and community services who care deeply about climate action and creating more sustainable public services.

Overall comments

The PSA advocates for a just transition for workers affected by climate change, supported by well-resourced, accessible public and community services.

We wholeheartedly support a transition away from fossil fuels in favour of renewable energy. We see New Zealand's energy transition as an essential part of a wider transition to a low-emissions economy, and an opportunity to create good green jobs for a more equitable society.

Some of the most important elements in making this happen, which the consultation documents are largely silent on, are the following:

Good jobs in the energy sector

The large-scale building and maintenance of renewable energy infrastructure will require workers. That makes it a huge opportunity for New Zealand to build good, green jobs that are highly skilled, highly paid, provide career pathways for the most disadvantaged groups, and contribute to a just transition for people whose current work is affected by climate change or by our climate mitigation actions.

A recent report by Prospect Union outlines five important areas of focus to deliver good clean energy jobs; although this is written for the United Kingdom, the goals are equally applicable in New Zealand. They include:

- creating clean energy jobs that are accessible to a diverse workforce, including those transitioning from high carbon work
- guaranteeing fair pay to recruit and retain energy workers and share the benefits of the energy transition
- improving working conditions across the clean energy industry to ensure it supports secure jobs, with decent hours, fair treatment, and safe workplaces
- building a skilled workforce with the range of technical, scientific, engineering, managerial, and digital skills needed to deliver the clean energy transition
- giving workers a voice in their workplaces and the policy debate by enabling trade union organising and expanding collective bargaining.[1]

The report recommends attaching 'good jobs' conditions to public support for renewables, developing a clean energy workforce strategy, and giving workers a seat at the decision-making table[2] – all features that should be present in New Zealand's energy transition.

Specifically in New Zealand. The government could (and should) use the levers it has to ensure that:

- where jobs are publicly funded, good pay and working conditions are mandatory (either through procurement rules, or through terms and conditions in cases where the state is directly hiring workers)
- employment legislation creates the conditions to ensure the emerging workforces in new industries have the same rights as existing workers and aren't disadvantaged by the use of non-standard work arrangements.

Public delivery and ownership

Aotearoa needs a programme of large-scale public delivery of renewable energy infrastructure, rather than a model of simply relying on private sector investment and/or contracting out delivery to the private sector for profit. The profit motive doesn't provide the right incentives to build an energy system that will be affordable and equitable, and so far has failed to provide the level of investment we urgently need.

"Historically, the high costs of renewable generation have outstripped wholesale electricity prices, rendering renewables investments unprofitable. Now, as renewable generating costs come down, wholesale electricity prices fall, cancelling out the declining costs of investment and, once again, undermining opportunities for profit. As such, without public subsidies, investors simply steer clear of renewable energy."[3] This ultimately means there's a disincentive for private investors to ever build the level of renewable energy at sufficient scale to make it affordable for consumers in the long-run.

The Ministry of Green Works model[4] provides a starting point for considering how this could be done. Although the model as initially suggested focuses on housing and rail, the report sets out some principles for considering how the work could be organised. We would suggest that the

[1] Delivering good work in clean energy: Prospect's five goals | Prospect, 2023
[2] Delivering good work in clean energy: Prospect's five goals | Prospect, 2023
[3] Energy Transition Mythbusters: Unpacking the 6 policy myths that threaten decarbonisation | The Transnational Institute, 2023
[4] A Ministry of Green Works for Aotearoa New Zealand: An Ambitious Approach to Housing, Infrastructure, and Climate Change | First Union, 2021

establishment of any such organisation should involve input from workers from the sector to help determine the functions, structure and ways of working that are most appropriate and effective.

There are also opportunities to incentivise community-owned, small scale renewable energy schemes.

Sufficiency and equitable access

Energy is a basic service and should be available universally without putting people into, or exacerbating, material hardship. The way we provide energy infrastructure in Aotearoa is an opportunity to make energy more affordable for all, for example:

- by ensuring it's delivered at a sufficient scale to mean prices aren't driven up by scarcity
- through ownership models that don't prioritise the profit motive and shareholder returns over the good of communities.

The most sustainable – and likely affordable – option for meeting our energy needs is to use energy more efficiently to reduce overall demand. New Zealand's energy transition should involve shifting the focus away from increasing energy production to fuel economic growth, towards planning a reduction in demand to a level of sufficiency.

Comments on specific parts of the consultation

Gas transition plan

We support a transition away from all fossil fuels including gas. The discussion document makes little to no mention of transitioning away from gas in the public sector, despite the fact that 750 schools, hospitals and public buildings are still waiting on funding to transition away from fossil fuel use, and the majority of these are using fossil gas.[5] The gas transition plan should include a plan to fully fund and implement the transition away from fossil gas in the public sector, including deadlines for the transition to be completed.

Interim hydrogen roadmap

The interim hydrogen roadmap highlights the potential of the hydrogen industry to create thousands of highly skilled jobs. This is a huge opportunity in terms of a just transition for workers affected by climate change (or by our actions to mitigate climate change). It is important that these jobs provide good work for people, and especially for workers in sunset fossil fuel jobs who are most disadvantaged by labour market changes resulting from the transition.

We note that the hydrogen roadmap already talks about working with education sector stakeholders to identify skills needs, and references work underway on workforce issues as part of the hydrogen consumption rebate. Support for a just transition needs to go well beyond this, including:

- proactive sector-wide and regional-level workforce planning, connected to mechanisms such as Workforce Development Councils to enable a range of perspectives to be heard
- measures that directly support workers in sunset jobs with training support to transition to emerging jobs, and that ensure this support is delivered ahead of changes, not after them
- involvement of workers and their unions in transition planning.

While hydrogen presents an opportunity to move away from fossil fuels to decarbonise industry where other energy sources aren't appropriate, it comes with a range of safety risks and has the

[5] Fossil Free State Sector (350.org.nz)

potential to contribute to climate change through leakage. Hydrogen should only be used where necessary, with priority given to other forms of renewable energy to meet the needs of consumers wherever possible.

Regulatory framework for offshore renewable energy

We support the proposed inclusion of factors such as job creation, training and skills development opportunities, and investment in localised supply chains being included in the assessment criteria for commercial permits. We suggest that this could further incentivise good green jobs by:

- making those factors mandatory requirements for permits, rather than just criteria to be considered
- including additional factors regarding job creation and training (eg, that it is targeted towards groups that are disadvantaged in the labour market or whose industries have been adversely affected by climate transition)

We note the discussion in the consultation document of the potential for support mechanisms to incentivise renewable energy development, as well as revenue gathering mechanisms to enable the wider population to share in the benefits of renewable energy. We support public investment in infrastructure, but public subsidies without sufficient strings attached have the potential to generate significant profits for private investors while doing nothing to make power more affordable – or at worse, making it more expensive for consumers overall. A 2023 paper from the Transnational Institute notes an example from Germany where tariffs made renewable energy a more attractive investment prospect but ultimately cost consumers almost 25% more in electricity prices. [6]

We do not wish to comment on specific options or models, but we think that some reasonable principles underpinning decisions could include:

- that public investment should be accompanied by a return to the public (eg, through lower prices, public dividends or partial public ownership)
- that funding arrangement should ensure private companies operating infrastructure built using public investment can't go on to price-gouge consumers.

The delivery of public services by the state is the clearest way to ensure accountability (through its democratic institutions) for the use of public funds.

Measures for transition to an expanded and highly renewable electricity system

The expansion of renewable energy is another huge opportunity to grow good green jobs. To do this we recommend that government measures include:

- large-scale, public delivery of distributed renewable electricity generation
- procurement rules for publicly funded projects that require fair pay and working conditions for workers delivering this infrastructure

Equitable access to energy needs to be at the forefront of decisions. However, decentralising renewable energy isn't enough to achieve equitable outcomes. Decentralised energy doesn't necessarily lead to more democratic outcomes within energy transitions. In many cases schemes geared towards supporting decentralised energy benefit wealthier populations able to afford large upfront investments such as rooftop solar panels and are accessible to people on lower incomes – even though lower income consumers have footed the bill for these subsidies through government

[6] Energy Transition Mythbusters: Unpacking the 6 policy myths that threaten decarbonisation | The Transnational Institute, 2023

support. “Ultmately, democratising the energy sector means ensuring that all can participate on an equal footing, irrespective of ability to pay.”[7]

To support the democratisation of a distributed electricity network we recommend:

- attention is given to the equitable distribution of community-scale renewable energy, ensuring that it is available in low-income areas and community facilities
- support is given to low-income people to purchase renewable distributed energy such as solar panels, to ensure that the benefits don’t go disproportionately to those who can afford to pay
- the government explores new models of providing access to renewable energy infrastructure at the community level, especially to community organisations and infrastructure that foster community resilience (eg, marae), such as such as by expanding the Māori and Public Housing Renewable Energy Fund
- public and community members are able to participate in decision-making about community-level energy infrastructure.

Conclusion

We appreciate the opportunity to participate in this consultation on what is an important part of our transition to a low-emissions, responsible and resilient society.

[7] Energy Transition Mythbusters: Unpacking the 6 policy myths that threaten decarbonisation | The Transnational Institute, 2023