

Submission to the MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT on the:

Consultation on Advancing New Zealand's Energy Transition

Submitted by the New Zealand Council of Trade Unions Te Kauae Kaimahi

31.10.2023

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This submission is made on behalf of the 31 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With over 340,000 union members, the CTU is one of the largest democratic organisations in New Zealand.

The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga), the Māori arm of Te Kauae Kaimahi (CTU), which represents approximately 60,000 Māori workers.

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1. Summary of recommendations

The CTU:

- 1.1. **Recommends** that energy security should be the overall goal of New Zealand's Energy Strategy. This means security not only in terms of energy needs, but also security of energy supply, of energy infrastructure, and of employment for those who work in the energy sector and emissions-intensive industries.
- 1.2. **Recommends** that protecting the livelihoods of workers in the energy sector and energy-intensive industries during the energy transition – i.e., ensuring a just transition – is a central objective of the government's Energy Strategy.
- 1.3. **Recommends** that a just transition for workers in non-renewable generation and emissions-intensive industries will require government to establish both generic (e.g., social unemployment insurance) and bespoke (e.g., industry transition partnerships) supports for workers and industry.
- 1.4. **Recommends** that MBIE works with other relevant public sector agencies to estimate the potential impacts of the energy transition on the existing energy-sector workforce, and workers in emissions-intensive industries, under different transition scenarios. This analysis should also include the identification of current and future skills needs in the renewable energy sector. This analysis should be used to inform subsequent decision making, including on workforce development.
- 1.5. **Notes** the persistence of energy poverty in New Zealand and **recommends** that the Energy Strategy considers a range of actions that government can undertake to eliminate the root causes of energy poverty, while continuing to support the incomes of households experiencing energy poverty.
- 1.6. **Recommends** that government actively engages with the trade unions that represent workers affected by the energy transition, and with the CTU, on the development of the Energy Strategy and associated work.

2. Introduction

- 2.1. The New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU) welcomes the opportunity to submit on MBIE's consultation on advancing New Zealand's energy transition.
- 2.2. The CTU strongly supports the development of a proactive strategy that delivers a just transition to a sustainable, affordable, and resilient energy system. The future wellbeing and prosperity of New Zealand workers, and the country at large, will be significantly affected by how successfully we manage this transition.
- 2.3. The five papers released by MBIE in the current consultation cover a wide range of issues and proposals. Rather than submitting individually on these papers, the CTU's submission focuses on a set of important issues that we think MBIE's current proposals do not sufficiently address: (1) energy security; (2) the just transition; (3) workforce development implications; (4) the issue of energy poverty; and (5) the investment required for the energy transition.
- 2.4. The CTU looks forward to seeing these issues addressed in more detail in the Energy Strategy as it develops, and to working with government to ensure the strategy delivers for New Zealand workers.

3. Comments and recommendations

Energy Security

- 3.1. The consultation document *Advancing New Zealand's Energy Transition* notes that New Zealand has a low-emissions electricity system, with significant production from both hydropower and geothermal plants. The New Zealand government has also committed to reaching net zero for long-lived gases by 2050, set a target that 50% of total energy consumption will come from renewable sources by 2035, and set an aspirational target of 100% renewable electricity by 2030.
- 3.2. The most important challenge facing the country in the delivery of these aims is doing so in ways that further advance our energy security. This means security not only in terms of energy needs, but also security of energy supply, of energy infrastructure, and of employment for those who work in the energy sector and emissions-intensive industries.

- 3.3. Collectively, these components deliver energy security for the economy, which the CTU recommends should be primary goal of the 2024 Energy Strategy. Recent global insecurity – particularly the war in Ukraine – has demonstrated how vulnerable New Zealand is to fluctuations in energy costs, and has been a key driver of the rise in the cost of living. And it is well-established that rising energy prices disproportionately impact those with the lowest incomes and the fewest available choices.
- 3.4. Delivering energy security should not mean returning to a carbon-intensive energy supply. This will prevent New Zealand from reaching net-zero by 2050, and from reaching the various interim targets that have been set by government. Instead, achieving energy security will require government to make changes in a deliberate and carefully considered manner. The government's strategy should be to deliver energy system changes in ways that support sustainable economic growth, that make New Zealand a more attractive location in which to invest, and that support the supply of good jobs.
- 3.5. Delivering energy security will also require an active industrial policy in New Zealand. Our current lack of an industrial policy means that our ability to plan for the future is limited. If we do not manage future economic development well, we will likely exacerbate our energy security problems, and make New Zealand less resilient to future energy shocks. Many countries are developing active industrial policies in order to meet their energy security needs, and to support the supply of good jobs – for example, the Biden administration in the United States. New Zealand should look to these examples in developing its own active industrial policy, which will, of course, need to be tailored to our specific geography and economic structure.

Just transition

- 3.6. The success of the Energy Strategy will hinge, in part, on delivering a just transition for workers in non-renewable jobs and ensuring that the energy sector is a source of good jobs in the New Zealand economy going forward.
- 3.7. To realise this, the CTU wants to see government commit to protecting the livelihoods of workers in non-renewable generation and emissions-intensive industries. This means financially and socially supporting workers to transition into new jobs, whether that be in renewable energy, green hydrogen, or non-energy-sector work.¹

¹ The CTU recognises that the Equitable Transitions Strategy (EqTS) that is currently being developed will have a role to play here. However, the EqTS is being designed as a cross-sectoral strategy and will need to be complemented by more detailed sector-specific plans.

- 3.8. The CTU is concerned by the fact that MBIE's current round of consultation documents make little mention of the workforce implications of the energy transition. Only the *Interim Hydrogen Roadmap* (pp. 49–51) discusses some of the workforce development questions raised by the transition. Of particular concern is the complete absence of any consideration of the workforce implications of transitioning away from gas usage in the *Gas Transition Plan*. This is despite the fact that two of New Zealand's largest power plants (Huntly and Stratford), as well as several mid-range plants, are partly or fully gas-powered. If not managed appropriately, the reduction and eventual ending of the production and use of gas will result in both direct and indirect job losses in the regions where gas power plants are significant employers. The same is true for coal.
- 3.9. To address this gap, the CTU recommends that MBIE works with other relevant public sector agencies to estimate the potential impacts of the energy transition on the existing energy-sector workforce, under different transition scenarios and different timeframes. This analysis should be used to inform the final Energy Strategy and associated work.
- 3.10. The CTU further recommends that the Energy Strategy considers how best to mitigate any negative impacts that the transition may have on energy-sector workers, and on workers in industries that use large amounts of fossil fuels. This should include consideration of the existing social protection system and how it could be improved.
- 3.10.1. Social unemployment insurance and active labour market programmes (ALMPs) are considered international best practice in just transition policy.² However, compared to many other wealthy countries, New Zealand lacks a social unemployment insurance system that can protect workers from the wage scarring and social problems associated with job loss; we also lack a comprehensive ALMP system that supports displaced workers to retrain and upskill, and supports skills matching. This makes us an outlier among the wealthy nations that we like to compare ourselves to. The CTU notes that implementing the New Zealand Income Insurance System (NZIIS) would provide most workers in New Zealand with financial protection in the event of job loss through redundancy or illness. This scheme would be an important generic support for workers who face climate-transition risks, such as workers in the non-renewable energy sector.
- 3.10.2. There may also be a need for more bespoke interventions to support workers affected or potentially affected by the energy transition. The CTU notes the progress

² See, e.g., [ILO](#), *Just Transition Policy Brief: Social Protection for a Just Transition*, 2023; [ILO](#), *Just Transition Policy Brief: The Role of Active Labour Market Policies for a Just Transition*, 2023.

that has been made in recent years in tripartite industrial planning through the Industry Transformation Plans and the Just Transitions partnerships in Taranaki and Southland. These institutions recognise that workers and unions are critical elements of industry and successful transition planning. The CTU recommends that further partnerships could be set up as necessary to support energy-sector workforces that face a significant transition.

Workforce development

- 3.11. The Energy Strategy will require an active workforce development plan to ensure that we develop the skilled workforce needed for the energy transition.
- 3.12. Looking to the future, workers in the energy sector are going to need to develop new skills in green energy, such as in hydrogen energy. The CTU therefore strongly supports MBIE's recommendation in the *Interim Hydrogen Roadmap* to "further understand the domestic future workforce, skills and training requirements to enable hydrogen deployment, including the extent to which transferable skills in existing workforces may be able to support a hydrogen rollout" (p. 50). The CTU recommends that this principle is applied across other aspects of the energy transition.
- 3.13. For years, New Zealand has relied too heavily on migration to address skills shortages and has not made the requisite investment in infrastructure to match migration-driven population growth. To avoid ongoing reliance on this (non-)strategy, government should provide resourcing for the forecasting and analysis of expected energy-sector workforce needs and any potential challenges in meeting those needs. Government should also invest in skills training programmes that will enable us, to the greatest extent possible, to meet the projected workforce needs domestically.

Energy poverty

- 3.14. As research from MBIE has shown, energy poverty continues to be a major problem in New Zealand, with over 110,000 households unable to keep their homes adequately warm in 2022. MBIE's research shows that renters are four to six times more likely to experience energy poverty (depending on the measure used), and that Māori and Pasifika are overrepresented across all energy poverty measures.³

³ [MBIE](#), *Report on Energy Hardship*, 2022, pp. 10-15.

- 3.15. The CTU recommends that eliminating energy poverty should be a fundamental objective of the government's Energy Strategy, and that further thought should be given to the measures that government can take to achieve this.
- 3.16. In its context paper, MBIE notes several existing government programmes aimed at alleviating energy poverty:
- 3.16.1. The Warmer Kiwi Homes programme is designed to improve the warmth and energy-efficiency of lower-income households via heating installation and insulation retrofitting. It is an example of a programme that addresses two issues at once – helping to reduce the cost of living for low-income households while also improving energy efficiency and thereby helping to lower emissions. The CTU recommends that this programme is continued and extended for low-income households. Further, the CTU recommends that the Healthy Homes Standards established for rental properties should be more proactively enforced, to incentivise landlords to invest in the necessary energy-efficiency improvements in their rental properties. Many low-income households are renters, and so are not eligible for grants under the Warmer Kiwi Homes programme.
- 3.16.2. The Winter Energy Payment assists low-income households with the cost of living. While this is an important means of alleviating severe energy poverty, it is, in effect, a government wealth transfer to the shareholders of electricity companies. The CTU's view is that these kinds of demand-side measures need to be complemented by more active government intervention to address the root causes of energy poverty.
- 3.17. As a 2022 report from the CTU, 350 Aotearoa, and FIRST Union details, one of the major supply-side causes of energy poverty is the persistently high price of electricity, due to a lack of competition in the electricity sector.⁴ New Zealand's generating capacity has been essentially flat over the past decade, and the share of electricity generated from renewable sources has remained flat for more than three decades – at 81% in 1990 and 82% in 2021.⁵ Despite handsome annual profits, electricity companies have not been investing in expanding the supply of renewable energy.

⁴ [NZCTU, 350 Aotearoa, and FIRST Union](#), *Generating Scarcity: How the Gentailers Hike Electricity Prices and Halt Decarbonisation*, 2022.

⁵ [MfE and Stats NZ](#), *Our Atmosphere and Climate 2023*, 2023, p. 18.

3.18. This underinvestment means that high-cost fossil-fuel generation continues to set wholesale prices at the margin; this keeps the cost high for consumers, enabling the gentailers to return huge annual profits. In turn, there is no incentive to reinvest profits in new generating capacity, as this would bring down consumer prices and therefore profit margins. This state of ‘manufactured scarcity’ will continue until meaningful government intervention is taken to weaken the market power of the energy companies.

3.19. The CTU recommends that the Energy Strategy considers the value of the following measures, reproduced from the above-cited report, in addressing this issue, which is one of the root causes of energy poverty in Aotearoa New Zealand:

- Setting minimum profit reinvestment targets [for the gentailers that government has a majority share in] that continue until our Paris Target goals have been achieved, requiring reinvestment into new renewable generating capacity or into activities that provide greater energy security and affordability for New Zealanders and New Zealand businesses.
- That any dividends distributed to the Government from their gentailer shareholders be used to buy back shares of the gentailers. The ownership of any gentailer shares shall be placed in a SPV, whose objective would be “stable, sustainable, and affordable electricity”. It would submit shareholder motions at AGMs to this end, and would require the companies to demonstrate publicly how this is being achieved.
- That the Government purchases the remaining fossil fuel generating facilities across the country, ringfencing them for strictly non-commercial use to ensure national energy security as the electricity [system] undergoes its full decarbonisation process.
- That financing at least equivalent to the Government’s share of excess dividends distributed over the 2014 to 2021 period – \$1.12 billion – be invested into household and community owned and operated electricity generation schemes between now and 2030 to reduce reliance on the gentailers and support low-income households.
- That consideration be given to the levying of a windfall tax against the gentailers, set against the value that has been generated through the excessive use of thermal generation. The value of that windfall tax would be used to insulate homes across Aotearoa, and to reduce emissions from industrial heat processes.⁶

3.20. There would also be considerable merit in continuing to measure the impact of energy poverty in New Zealand, consistent with the approach that MBIE has taken to date.⁷ This reporting should set out the measures that government has taken to mitigate energy

⁶ [NZCTU, 350 Aotearoa, and FIRST Union](#), *Generating Scarcity*, p. 29.

⁷ [MBIE](#), *Report on Energy Hardship*, 2022.

poverty, and the expected impact that these measures will have on lowering the incidence of energy poverty in the future.

- 3.21. This reporting should also provide an estimate of the total Crown cost of energy poverty, including the costs in health, education, and other areas. For example, research shows that energy poverty generates significant costs for the health system due to the increased hospitalisations and incidences of illnesses such as rheumatic fever that are caused by cold and damp homes. Energy poverty also has a negative impact on the economy, with people who live in cold and damp houses reporting more frequent colds and flu, and therefore more sick days off from work. It is in the interest of all New Zealanders to eliminate energy poverty.

Public investment in the energy transition

- 3.22. To successfully transition to a low-emissions energy system, we will need to significantly increase the levels of public investment in our energy infrastructure, housing, and public transport system. In turn, this requires a rebalancing of New Zealand's fiscal priorities.
- 3.23. Currently, government does not generate sufficient revenue to sustain the level of investment required in building out our renewable infrastructure and simultaneously meeting other key economic goals. To sustainably fund the transition, the government will need to grow its tax base significantly.
- 3.24. Elsewhere, the CTU has proposed that the financing needs of the transition could also be partially met by the establishment of a National Investment Bank, modelled on the Scottish National Investment Bank, that provides financing for green transition projects implemented by a Ministry of Green Works.⁸ We recommend that government consider the value of these proposals in the development of the Energy Strategy.

Promoting industrial democracy in the transition

- 3.25. If it is to be successful, the energy transition must improve the lives of working people and provide secure and sustainable employment for energy-sector workers and workers in emissions-intensive industries. Ensuring that workers and their representatives in trade unions are involved in the planning and implementation of the Energy Strategy is the best way of making this happen. The CTU therefore recommends that MBIE actively

⁸ [NZCTU](#), *Building a Better Future: Creating an Economic Development Strategy Together for Aotearoa New Zealand*, 2022. For a detailed proposal on the establishment of a Ministry of Green Works in Aotearoa New Zealand, see [M. Harris and J. Paul](#), *A Ministry of Green Works for Aotearoa New Zealand: An Ambitious Approach to Housing, Infrastructure, and Climate Change*, FIRST Union Report, 2021. See also, [NZCTU](#), *Inflation and Incomes Act*, 2022, pp. 13-14.

engages with trade unions that represent workers in the energy sector and emissions-intensive industries, and with the CTU, on the development of the Energy Strategy and related work.

4. Conclusion

- 4.1. The CTU affirms the importance of developing a proactive Energy Strategy. The future wellbeing and prosperity of New Zealand workers, and the country at large, will be significantly affected by how successfully we can transition to a sustainable, affordable, and resilient energy system that is a source of good jobs.
- 4.2. This submission has noted a set of issues that are currently absent from the Energy Strategy, and which will need to be addressed if it is to be successful.
- 4.3. The CTU thanks MBIE for the opportunity to submit on this important work. We look forward to engaging with government on the development of the Energy Strategy and associated initiatives over the coming year.

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