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POWERING A BETTER NEW ZEALAND TOGETHER

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Environment Select Committee

via New Zealand Parliament website (portal)

Submission on Resource Management (Consenting and Other System Changes) Amendment Bill

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net zero carbon emissions by 2050.

2. This document constitutes our submission to the Environment Select Committee (the 'Committee') on the Resource Management (Consenting and Other System Changes) Amendment Bill ('the Bill'). We welcome the opportunity to present our submission to the Committee.

Key messages

3. We support steps to improve resource consenting outcomes and timeframes. Our submission is confined to matters related to the specified energy activities addressed by the Bill, and the potential impact on New Zealand's energy affordability and security.

4. Renewable electricity generation projects exist in a complex operating environment. This is especially the case for intermittent renewable generation, such as solar and wind projects. It is important that these projects do not outrun the necessary firming capacity needed to ensure stable operation of New Zealand's national electricity grid.

5. We recommend the definition of "specified energy activities" be broadened to include activities that improve the security and affordability of New Zealand's energy systems. This requires taking a fuel agnostic view of our energy system, and would include, for example, gas fired peaking plants. This fuel agnostic approach would be consistent with other legislation, such as the emissions trading scheme (the 'NZETS'), to price-in emissions externalities.

6. The new powers granted to consenting authorities under section 106A gives considerable scope to refuse land use consents on the basis of increased exposure to natural hazards. Authorities have repeatedly demonstrated zero tolerance for risk to human health and safety and to the environment. We recommend removing clause 106A(2)(d) as these matters are adequately addressed through other legislation.

Submission

7. Good energy policy focuses not only on sustainability, but also on energy security and affordability. While there is overlap, it is the role of climate policy to ensure that the cost of the emissions externality is internalised via prices that incentivise appropriate investment decisions. This requires consistent, joined-up, and integrated policy that provides for a predictable and stable investment platform across a range of policy portfolios in order to achieve the Government's policy objectives.

8. It is important that natural gas and the use of gas-fired power stations are not left out of this picture. As we electrify our economy, with a focus on lowering emissions, we expect more of this increased electricity demand to be met by intermittent renewable electricity generation, such as wind and solar. With an expected increase in severe weather events and changing weather patterns, our electricity system is increasingly prone to dramatic swings as seen in winter 2024.

9. This is going to create a more volatile, unpredictable electricity system. Policies need to acknowledge the ongoing role of thermal generation in years to come to produce the needed stabilising effects for the energy system.

Renewable energy projects do not exist in isolation

10. New Zealand enjoys one of the world's most renewable electricity systems, and we are rightly proud of this. Electricity Demand and Generation Scenarios ('EDGS') modelling by the Ministry of Business, Innovation, and Employment ('MBIE') indicates New Zealand is expected to see significant growth in the demand for electricity in the coming years, much of this growth is expected to come from renewable energy sources.[1]

11. This means an increasing percentage of our electricity demand will be met by intermittent generation sources. These projects will require additional support from facilities designed to meet peak demand, when it doesn't rain, or the sun doesn't shine, and the wind doesn't blow. MBIE's EDGS modelling found, *in all*

1 The most recent EDGS modelling sees electricity demand grow from between 35.3 and 82 per cent by 2050. See https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-modelling/electricity-demand-and-generation-scenarios

scenarios, up to 800MW of additional firming capacity from new gas-fired peaker plants was required to meet this increased demand.

12. Electricity generation projects sit within, and are part of, a wider, complex system. Other jurisdictions are struggling with similar challenges integrating a higher proportion of renewables into their electrical systems. Grid operators are having to reassess their approach to integrating intermittent renewables into the network.[2]

13. In the United Kingdom alone, there are reports of over 200,000 applications for renewable energy projects are currently backlogged, with some solar projects facing wait times of up to 15 years for grid connection. The UK's electricity regulator, the Office of Gas and Electricity Markets ('Ofgem'), estimates this is about 120GW of renewable power projects that have connection dates extending to 2030 or beyond.[3]

14. The examples above highlight the difficulty of integrating increasing amounts of intermittent generation into electrical grids. A shortened, more predictable consenting path for both renewable generation project, and firming solutions are therefore an important part of solving this puzzle. Without consideration given to predictable, dispatchable generation sources, it is entirely possible these same projects will experience delays in connecting to the grid, as the resource consents for intermittent renewables outrun the capacity of the system operator to manage and ensure the stability of the national grid.

15. A whole of system approach needs to be considered. It is therefore important to evaluate each project on its merits. This includes non-renewable firming solutions such as gas fired peakers.

16. Indeed, a consenting regime that picks technology or fuel winners via consenting processes (even if only by omission) seems to run counter to the government's own stated objectives in its Government Policy Statement on electricity where is says:

> "The Government's role is also to avoid policy decisions that would have the effect of chilling or crowding out private investment.[4]

and

> "Demand-side response and other sources of flexible supply (such as batteries ***and thermal generation) will become more valuable***,

2 See https://www.mckinsey.com/industries/electric-power-and-natural-gas/our-insights/how-grid-operators-can-integrate-the-coming-wave-of-renewable-energy for a discussion of these challenges.

3 See https://www.environmentenergyleader.com/stories/streamlining-renewable-energy-connections-to-overcome-grid-challenges-in-the-uk,45063

4 Statement of Government Policy to the Electricity Authority under section 17 of the Electricity Industry Act 2010, dated October 2024, page 2, paragraph 9.

particularly in managing demand peaks and periods when short-term capacity is tight.[5] (emphasis added)

and

"The Electricity Authority should be aware that:

a) The Government intends to ensure ***that resource consenting processes for generation, energy storage and network infrastructure enable the timely and efficient build of new infrastructure***.

b) Fuel sector arrangements have a critical influence on electricity generation costs and reliability. ***The Government's policy frameworks for both fossil and green fuels recognise the critical role these fuels play*** in the electricity sector

c) Carbon pricing rules are the primary tool to drive decarbonisation decisions within the electricity system and most sectors of the wider economy. ***To the extent that thermal generation (including applicable carbon charges) is lower cost than renewable alternatives, it will continue to be selected for use by the wholesale market***.

d) It is not the Electricity Authority's role to prefer one form of supply over any other."[6]

17. We support these sentiments. Combined, these statements (including those around resource management and consenting) are intended to coalesce to deliver downward pressure on electricity prices and more secure and reliable energy. Unnecessary consenting barriers or other implicit barriers (such as separate, longer consenting timeframes) to the much needed gas-fired peaking plants, relative to investment in other forms of power generation, should be avoided.

18. In fact, in light of the consistent statements from the government that it will rely on the NZETS to drive emission reductions, such obstacles are inconsistent at best, incoherent at worst and likely to stultify efficient resource allocation.

19. We recommend the specified energy activities be expanded to include all energy projects that improve our energy security and increase the stability of the national electrical grid. This includes grid scale gas storage, distribution and gas fired peaking projects.

5 *Ibid*. page 3, paragraph 10 (d).
6 *Ibid.* page 7, paragraph 31.

Reasons a consent authority may refuse land use consent may blur the lines of regulatory responsibility

20. Clause 37, which inserts new section 106A has the potential for regulatory overlap. New 106A(2)(d) in particular, where a land use consent may be refused on the basis of an increased risk to human health and safety appears to cut across existing health and safety regulations. This is especially the case for both operational and maintenance activities in the energy sector.

21. The Resource Management Act ('RMA') defines a "natural hazard" as:

> *"**Natural hazard** means any atmospheric or earth or water related occurrence (including earthquake, tsunami, erosion, volcanic and geothermal activity, landslip, subsidence, sedimentation, wind, drought, fire, or flooding) the action of which adversely affects or may adversely affect human life, property, or other aspects of the environment"*[7]

22. Consent authorities typically take a conservative line in their land use decisions. With the sweeping powers this new section grants, there is the risk that this section might be used to frustrate the Government's energy policy objectives through consenting delays. This is because applicants will have to prove no adverse effects to human health and safety, and demonstrate this to the satisfaction of the decision-maker.

23. We recommend removing section 106A(2)(d) as its intent for energy projects is already captured in other legislation.

Recommendations

24. We recommend the Committee:

    a **updates** Clause 4 of the Bill (which amends section 2 (interpretation) of the RMA) so as to:

        i. broaden the scope of **specified energy activity (a)** to include natural gas as an energy source, in particular when used for firming as the percentage of intermittent renewable generation increases; and

        ii. add a new **specified energy activity (c)** in clause 4 to include energy activities that increase or improve New Zealand's energy security, including all solutions to provide generation firming capacity; and

7 As defined in section 2 of the Resource Management Act 1991 (available at: https://www.legislation.govt.nz/act/public/1991/0069/latest/DLM230272.html)

b **removes** health and safety considerations for natural hazards as a reason a consenting authority can refuse a land-use consent (section 106A(2)(d)).

Concluding comments

25. Energy security and affordability are growing concerns for all New Zealanders. We welcome steps to improve the consenting processes and outcomes for energy projects.

26. However, we recommend the scope of these changes be broadened to include all electricity generation and distribution activities, as well as those activities that improve New Zealand's energy security and affordability. This would ensure a technology and fuel agnostic approach to electricity generation projects – a stance already adopted by the Minister of Energy.

27. We also recommend the updating and removal of some clauses where the current drafting gives too much power to consenting authorities resulting in delays or declining of energy projects.

28. We welcome the opportunity to present our submission to the Committee.