

## PEPANZ ORAL SUBMISSION TO THE ENVIRONMENT SELECT COMMITTEE

18<sup>th</sup> October 2018

*Cameron Madgwick, PEPANZ CEO*

Thank you to the Committee for the opportunity to make an oral submission. I'll leave most of the detailed objections in our written submission.

It's a privilege to speak. It is a privilege that has been denied to the many voices of affected workers. And the speed with which the law is being passed means that there is no time to reflect on what is being said.

It has been touted that this transition will take decades. This seems at odds with the decision to take just weeks to pass legislation.

In the past two days at this committee hearing I've heard a lot of wishful thinking, and a lot of hopes expressed as certainties.

It is time for a reality check. Time for some cold hard facts to enter the debate.

It is a fact that oil and gas supply 60% of NZ's energy needs. Ending that use will take a lot of incredibly expensive investment plus the development of several new technologies to succeed.

It is a fact that NZ is part of a global energy and petrochemical market - just as climate change is a global problem. What we don't produce here will simply be produced by others - usually with higher emissions, and then imported here, again with higher emissions in its transport.

It is a fact that these expensive changes will absorb resources and reduce government revenues that have other socially beneficial uses. Like health, education and housing, which is why managing the transition to a lower carbon world as pragmatically as possible is so vital.

It is a fact that other nations will not look to NZ's example with admiration and awe.

We would all like them to, but the reality is that nations make their own decisions based on their own circumstances and own best interests. Always have done, will always do so.

Reality is that the lower carbon transition will be difficult and expensive enough, without badly thought-out policy frolics like this ban.

Time is short – in summary:

The policy process has been abysmal. Submitters and constitutional experts have said that, even some who support the intent of the ban.

Such an incredibly poor process cannot be expected to produce anything other than an incredibly poor outcome. There has been:

- no clearly articulated problem definition,
- no 'intervention logic' to demonstrate how the policy would achieve the stated goal of "addressing climate change,

- no options analysis,
- no analysis to show that the benefits outweigh the costs,
- no assessment of the parties to bear costs and the expected beneficiaries,
- no consideration of unintended consequences.

We reject that this Bill needed to be rushed through in the very short time-frame. No sound reason that stands up to scrutiny has been given.

We urge the Committee to ask for more time.

If you are truly proud of this decision. You will be prepared to hold it up to scrutiny.

That you attempt to rush it through, gives the impression you are not proud of what you are doing.

Proper scrutiny requires a reasonable amount of time and with just 10 days until the Committee is due to report back it is difficult to see how it will have time to adequately consider the 2283 written submissions and the 100 or so oral submissions that have been able to be heard, seek any advice from officials as well as undertake members' other Parliamentary duties

Indeed it is hard to avoid the conclusion that the shortened select committee process was designed specifically to ensure a lack of scrutiny.

**“There is a low likelihood of the Bill achieving its stated intent”**

The Parliamentary website states that the “Bill aims to reduce fossil fuel use” however: this bill does not in any way address:

- this bill does not address how demand will be reduced (i.e. the reduction in the “use” of those fuels);
- this bill does not address the highest emitting of those fuels used in NZ’s energy system (coal);
- this bill does not address the contribution of NZ’s fuels to displacing higher emitting fuels here and overseas
- this bill does not address the non-energy emissions (e.g. methane from agriculture) – almost half of NZ’s emissions.

The reason the Bill does not address those issues is that the Crown Minerals Act is a resource allocation regime, not an emissions reduction regime.

The ETS and the proposed Zero Carbon Bill are designed as emissions reduction regimes and are accordingly more appropriate

**“Climate change is a global issue”**

We have our part to play, but we must design our policy in the global context, New Zealand is NOT a closed system.

It is the reduction of emissions here and globally that needs to be the focus and the role that NZ can play in that.

Fuels are not the same as emissions, with oil and gas being the feedstock for many other products with low or no emissions in their creation or use:

- medical equipment, fertilisers, packaging, clothing, digital devices, medical equipment, detergents and tyres are integral to modern life;
- petrochemicals are key components of a modern energy system and are found in solar panels, wind turbines, batteries, thermal insulation for buildings, and parts for electric vehicles.

### **Energy Security**

The Bill will reduce the resilience of New Zealand's energy supply and increase overall costs.

The RIS states that "The reduction in the availability of a reliable and flexible source of energy may have a negative impact on both energy security and affordability"

This means the policy can directly harm the 395,000 industrial, commercial and residential users of natural gas and LPG and every New Zealand household who uses electricity.

The current gas supply constraints offer a view of a future without gas in the energy system. Energy prices will increase and the cost of living for New Zealanders will increase.

It is noteworthy that Genesis Energy has recently stated that the Government's policy introduces "significant uncertainty over gas supplies in the 2030's and it becomes much harder to remove coal from the electricity system".

### **Government sovereign**

But I recognise that the Government has a right to govern. So here are our constructive ideas to improve this law:

- Talk to the people of Taranaki directly affected by this bill and give them a meaningful opportunity to engage in the discussion
- Extend the select committee report back and consultation to the more standard 6-9 months and 6 weeks respectively;
- Seek a mandate from the House, Business Committee or other relevant authority to transfer the consideration of this Bill to the Economic Development, Science and Innovation Committee, being that the Standing Orders (188) state that Crown minerals are a specific subject area of that committee or at the very least seek the opinion from that Committee in accordance with Standing Orders (293)
- Prior to progressing the Bill, ask the Interim Climate Change Committee and the Electricity Authority to report on the role of the oil and gas sector in a lower emissions environment.

This would bring an assurance that the decision is made with full knowledge – not on a whim. Again if you believe in your policy – put it up for scrutiny.

Give the oil and gas sector the opportunity to demonstrate the steps it is taking to lower emissions and provide assistance for it to do so;

I'll leave a copy of our soon to be released report on this - "The future of oil and gas in a lower carbon world" - with the clerk for you to consider in your deliberations.

### **Concluding remarks**

Nearly every submitter on this Bill, including our industry, strongly agrees with the need to reduce net emissions and the impacts of those on a changing climate. That is not in dispute.

The problem is this Bill is the wrong tool. It will have major economic and social costs on New Zealanders and more than likely increase global net emissions.

As a society we don't have unlimited resources to tackle the changing climate. We have to carefully choose the best policy options that will deliver the greatest benefits at least cost. This bill clearly does not meet that criteria.