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Zero Carbon Bill Team  
Ministry for the Environment  
P O Box 10362  
Wellington 6143

By email: [ZCB.Submissions@mfe.govt.nz](mailto:ZCB.Submissions@mfe.govt.nz)

Dear Zero Carbon Bill Team,

**Re: Discussion Document**

The Independent Electricity Generators Association Incorporated (IEGA) welcomes the opportunity to make submissions to the Ministry for the Environment (MfE) on the Discussion Document relating to the Zero Carbon Bill.

In summary, the IEGA supports a greenhouse gas emissions target of net zero for New Zealand and will welcome the Bill to put in place the institutions and strategy to reach this target.

#### **Background on IEGA**

The IEGA's membership either directly or indirectly associated with predominately small scale power schemes throughout New Zealand for the purpose of commercial electricity production.<sup>1</sup> We introduced our organisation in a submission on the Commission's issues paper in October 2017.

Our members have made significant economic investments in generation plant and equipment throughout New Zealand that is embedded within local distribution networks with 95% of the plant using renewable fuel. Combining the capacity of member's plant makes the IEGA the sixth largest generator in New Zealand.

IEGA members are small, entrepreneurial businesses, essentially the SMEs of the electricity generation sector. We are price takers in the electricity market and provide significant benefits to the regions in which we operate.

This is an exciting time for the energy sector, and potentially our members. For example, the supply of electricity will become more diverse as consumers decide to invest in solar pv and / or battery storage; and distributed generation, or distributed energy resources, may become the norm with investment in physical transmission and distribution network infrastructure becoming the 'alternative'.

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<sup>1</sup> The Steering Committee has signed off this submission on behalf of members

As well as being renewable, a higher proportion of the output of a distributed generation plant arrives at the end user because the generating plant is located closer to the end user. With the current location of electricity generating plant and the location of electricity users, about 500MW of electricity is lost to the air during the process of transporting the electricity. This is equivalent to the capacity of the Huntly Rankine thermal power station.

### **Investor certainty**

The IEGA supports the ambition for the Zero Carbon Bill to create certainty. *“It is intended to provide a long-term and stable policy environment, with a clear emissions target and a guided pathway to get us there.”*<sup>2</sup>

One of the reasons given for setting the target in primary legislation is to indicate *“the elevated priority of the 2050 target (in relation to other Government considerations)”*.<sup>3</sup> IEGA submits that any target in primary legislation should apply to the activities, purpose or statutory objectives of any government agency that could make decisions with climate change implications. For example, the Electricity Authority is responsible for the Code (tertiary legislation) governing the electricity sector and makes Code changes that impact incentives and investment decisions relating to renewable electricity capacity.

The IEGA has engaged with the NZ Productivity Commission’s inquiry into transitioning NZ to a low emissions economy. A planned transition is important. Renewable electricity is a key component of NZ’s current and future emissions profile. Distributed generation provides incremental renewable generating capacity that much more closely matches local or regional growth in electricity demand as the transition progresses. For example, as the transport fleet is gradually electrified. Importantly, distributed generation close to or co-located with industrial processing facilities is a very efficient energy and heat source.

The IEGA supports the stated objectives underpinning work on the 2050 target, emissions budgets, the Climate Change Commission and adapting to climate change<sup>4</sup>.

The remainder of this submission is our response to the Discussion Document questions.

The IEGA would welcome the opportunity to discuss this submission with you in more detail.

Yours sincerely



**Warren McNabb**  
Chair

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<sup>2</sup> Message from the Minister, page 7 of the Discussion Document

<sup>3</sup> Page 21 of the Discussion Document

<sup>4</sup> Page 19-20 of the Discussion Document

# Submissions form

We seek your feedback on the specific proposals in the Zero Carbon Bill.

Either email this submission to [ZCB.Submissions@mfe.govt.nz](mailto:ZCB.Submissions@mfe.govt.nz) (Microsoft Word document (2003 or later) or PDF) or post to Ministry for the Environment, PO Box 10362, Wellington, 6143.

## Personal / organisation details

*You must provide either a company name or given name(s)*

Company name Independent Electricity Generators Association Incorporated (IEGA)

Given names \_\_\_\_\_

Surname \_\_\_\_\_

Contact person Warren McNabb, Chair

Address \_\_\_\_\_

Region \_\_\_\_\_

Country \_\_\_\_\_

Phone \_\_\_\_\_

Email [warren.mcnabb@altimarloch.com](mailto:warren.mcnabb@altimarloch.com)

Submitter type, pick one:

- Individual
- NGO
- Business / Industry
- Local Government
- Central Government
- Iwi / Māori
- University
- Research Institute
- School
- Community Group
- Unspecified / Other – industry association

## 2050 target

1. What process should the Government use to set a new emissions reduction target in legislation?

Pick one:

- the Government sets a 2050 target in legislation now
- the Government sets a goal to reach net zero emissions by the second half of the century, and the Climate Change Commission advises on the specific target for the Government to set later.

**Optional comment**

By setting a target in legislation now the Government is providing a greater level of certainty to investors as well as the Climate Change Commission as it gets established. Time is of the essence.

2. If the Government sets a 2050 target now, which is the best target for New Zealand?

Pick one:

- net zero carbon dioxide:** Reducing net carbon dioxide emissions to zero by 2050
- net zero long-lived gases and stabilised short-lived gases:** Long-lived gases to net zero by 2050, while also stabilising short-lived gases
- net zero emissions:** Net zero emissions across all greenhouse gases by 2050.

**Optional comment**

IEGA supports the net zero emissions target. The modelling in the Discussion Paper indicates the results from the 'net zero long-lived gases and stabilised short-lived gases' target and 'net zero emissions' target are relatively similar in 2050.

There is a substantial period of time between now and 2050 and unpredictable events are likely. We see the pathway being a transition from net zero long-lived gases and stabilised short-lived gases' target to the 'net zero emissions' target.

That is, over this period the inherently shorter term policy settings can be focused on the 'net zero long-lived gases and stabilised short-lived gases' target over the next ~20 years moving to policy settings to achieve the 'net zero emissions' target by 2050.

However, we note that these targets rely heavily on creating emission reductions by planting forests. This is a short term solution which will create a 'hole' for NZ's emissions position post 2050. It is also risky if the afforestation does not occur as expected. The IEGA supports a concentrated focus on gross emission reductions. A 'real' carbon price in the economy will drive innovation and business investment in low emissions activity.

IEGA notes the *recent study from Westpac New Zealand which found that taking early and planned action on climate change could save \$30 billion by 2050, compared with taking delayed, then abrupt action later.*<sup>5</sup>

It is unclear which target is the same (or most similar) to the commitment NZ has made in the signed Paris Agreement. Our international reputation is at

<sup>5</sup> Copied from the Discussion Document page 9

risk if the legislated target is different to the target NZ proposed and committed to in an agreement with 192 other countries.

3. How should New Zealand meet its targets?

Pick one:

- domestic emissions reductions only (including from new forest planting)
- domestic emissions reductions (including from new forest planting) and using some emissions reductions from overseas (international carbon units) that have strong environmental safeguards.

**Optional comment**

The IEGA agrees that as a small country NZ's *"influence lies in holding ourselves and other countries to account to meet international commitments. Taking action at home helps give us a mandate to encourage other countries to do the same."*<sup>6</sup>

We note that the Paris Agreement recognises that countries may choose to cooperate to meet their climate change commitments. However, verifying the environmental integrity and 'additionality' of projects overseas involves the dead-weight of bureaucracy (and uneven results as evidenced during the Kyoto Protocol arrangements).

IEGA is concerned that too strong a focus or reliance on emission reduction projects in "cooperating" countries will taint our international reputation.

We recommend that the government (or relevant agency) establish a mechanism whereby the price the government is prepared to pay for emission reductions from a project in a cooperating country is transparent and NZ firms have the opportunity to bid for this emission reduction payment to invest in a project in NZ (adjusted for risk). This would stimulate innovation and provide certainty for investors.

4. Should the Zero Carbon Bill allow the 2050 target to be revised if circumstances change?

Pick one:

- yes
- no.

**Optional comment**

IEGA supports the legislation including a mechanism and criteria to revisit the emissions target. The legislation must include guidance or restrictions on

<sup>6</sup> Page 16 of the Discussion Document

what conditions need to be met for a change to be made as well as the extent to which the target could be adjusted. Any change will therefore be subject to rigorous consultation and require support across political parties. This provision must be consistent with the international agreements NZ has signed.

## Emissions budgets

5. The Government proposes that three emissions budgets of five years each (ie, covering the next 15 years) be in place at any given time. Do you agree with this proposal?

Pick one:

- yes  
 no.

### Optional comment

IEGA supports three emissions budgets of five years each being in place at any given time. This timing will help de-politicise the emissions budget-setting process. It also provides investors with a timeframe against which investment in assets with high upfront costs at the start of a project, and which have long lives, can be considered and funded. Electricity generation plant is a direct example of this – sound and stable policy is important for these long run, low return assets.

6. Should the Government be able to alter the last emissions budget (ie, furthest into the future)?

Pick one:

- yes, each incoming Government should have the option to review the third budget in the sequence  
 yes, the third emissions budget should be able to be changed, but only when the subsequent budget is set  
 no, emissions budgets should not be able to be changed.

### Optional comment

As discussed in response to question 5, our view is that the principal advantages of the five year budgets with a 15 years outlook are that it depoliticises the process of setting the emissions budgets and, more importantly, provides investor certainty. This option of the third emissions budget being able to be changed only when the subsequent budget is set is the only option that meets these two criteria.

7. Should the Government have the ability to review and adjust the second emissions budget within a specific range under [exceptional circumstances](#)?

Pick one:

- yes  
 no.

**Optional comment**

There is always the option of amending legislation under urgency if there are exceptional circumstances.

8. Do you agree with the [considerations](#) we propose that the Government and the Climate Change Commission take into account when advising on and setting budgets?

Pick one:

- yes  
 no.

**Optional comment**

The IEGA supports the other design features of emissions budgets outlined on page 38 of the Discussion Document.

## Government response

9. Should the Zero Carbon Bill require Governments to set out plans within a certain timeframe to achieve the emissions budgets?

Pick one:

- yes  
 no.

**Optional comment**

The IEGA agrees that the legislation should require the Government to publish a plan to meet future emissions targets and that the plan should include the information proposed on pages 38 – 39 of the Discussion Document.

10. What are the most important issues for the Government to consider in setting plans to meet budgets? For example, who do we need to work with, what else needs to be considered?

**Comment**

These 'plans' are more short term (written every five years). The IEGA submits that it is imperative the plans are also depoliticised and have cross-

party support in Parliament. While it may be hard for a new government to change the emissions target, it may be easier to revise the 'plan' to reflect a particular government's political intentions.

IEGA suggests the Climate Change Commission should have significant input into these plans – as a group of subject matter experts. Wider consultation would also be expected as well as timely release of the plan.

## Climate Change Commission

11. The Government has proposed that the Climate Change Commission [advises on and monitors](#) New Zealand's progress towards its goals. Do you agree with these functions?

Pick one:

- yes  
 no.

### Optional comment

The Climate Change Commission should advise on and monitor NZ's progress towards its goals. It must be able to make recommendations given the level of expertise expected to be within the Commission.

IEGA supports the Commission being advisory but with mechanisms built in the hold the Government to account<sup>7</sup>. IEGA agrees there must be a hurdle for the Government to deviate from the expert advice.

It is also important the Climate Change Commission is well funded.

The Discussion Document lists proposed advisory and monitoring functions for the Climate Change Commission on page 42. The IEGA agrees with this list.

12. What role do you think the Climate Change Commission should have in relation to the New Zealand Emissions Trading Scheme (NZ ETS)?

Pick one:

- advising the Government on policy settings in the NZ ETS  
 makes decisions itself, in respect of the number of units available in the NZ ETS.

### Optional comment

The Climate Change Commission should be advising the Government on policy settings in the NZ ETS. This is consistent with our response to question 11.

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<sup>7</sup> Middle option in Table 6, page 42 of the Discussion Document



13. The Government has proposed that Climate Change Commissioners need to have a range of [essential and desirable expertise](#). Do you agree with the proposed expertise?

Pick one:

- yes  
 no.

**Optional comment**

IEGA agrees with the list of essential and desirable expertise on page 44 and 45 of the Discussion Document.

Commercial acumen and a knowledge of technology and innovation are also essential.

The term of appointment for the commissioners is not discussed. This is important when the Climate Change Commission is working in a political environment with three year terms and delivering advice on five year emissions budgets.

## Adapting to the impacts of climate change

14. Do you think the Zero Carbon Bill should cover adapting to climate change?

Pick one:

- yes  
 no

**Optional comment**

Planning to adapt to climate change is important – particularly for local government. However, the IEGA is concerned to ensure the central government’s limited resources are not consumed by working on adaptation at the expense of progressing emission reductions.

15. The Government has proposed a number of new [functions](#) to help us adapt to climate change. Do you agree with the proposed functions?

Pick one:

- yes  
 no.

**Optional comment**

The IEGA submits that if there are provisions relating to adaptation in the legislation these provisions should become effective at a later date so that government and private sector resources are focused exclusively in the next

10 years on efforts to reduce gross emissions. Reducing gross emissions must be the highest priority.

16. Should we explore setting up a targeted adaptation reporting power that could see some organisations share information on their exposure to climate change risks?

Pick one:

- yes  
 no.

**Optional comment**

IEGA suggests a cautious approach to this proposal. Many organisations will already be reporting on their exposure to climate change risks as required by other legislation, their shareholders, stakeholders or insurers. Any requirement in the Zero Carbon Bill should not impose onerous obligations that duplicate existing requirements but be complementary.