

Media Statement  
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## BAN ON THERMAL ENERGY RISKS SECURITY OF ELECTRICITY SUPPLY

The New Zealand Council for Infrastructure Development is concerned that proposed legislation to place a 10 year ban on thermal energy may risk security of electricity supply, prolong dependence on Huntly coal fired generation and potentially mean more carbon emissions that might otherwise be the case.

"Rather than placing a ban on thermal generation as proposed in the Climate Change (Emissions Trading and Renewable Preference) Bill tabled in Parliament last week, the government should provide leadership and guidance on consenting both renewable and "low emission" electricity generation - potentially allowing efficient gas plants in the investment portfolio as well," says NZCID Chief Executive Stephen Selwood.

"To gain approval, thermal generation could be required to demonstrate a positive net gain from an environmental and cost of supply point of view. A test of this nature could potentially enhance security of supply, encourage competitive energy supply prices, contribute positively to developing indigenous gas markets and have positive environmental and community benefits.

"Efficient thermal generation can make a very positive contribution to reducing carbon emissions.

"For example efficient gas fired generation in and around Auckland might replace dependence on Huntly coal generation and reduce pressure on transmission capacity into the region.

"Genesis energy recently announced a 40% reduction in carbon dioxide emissions in October, compared to the same period in 2006. The majority of the drop was a result of switching almost half of the thermal electricity generation from the coal-fired Huntly Power Station to the new 400MW combined cycle gas turbine, known as e3p.

"On the other hand, with a ban on thermal generation, efficient gas plants like e3p may be precluded or only infrequently used as a back up. Security of electricity supply will be dependent on variable renewable energy capacity and the associated transmission network being delivered on time to meet demand.

"The difficulty is that New Zealand's track record in timely delivery of major electricity projects is lack lustre at best.

"Top of the list of issues to be sorted are the tortuous planning, approval and consents process and the regulatory steeple chase associated with transmission upgrades. Whereas gas plants have a relatively small footprint, wind farms and supporting transmission capacity can have significant community impacts.

"Under current processes it takes years to gain approval for projects in NZ. With increasing pressures on land and water rights, a complex regulatory environment managed by a multiplicity of agencies, an uncertain transition path from thermal to renewable energy, together with uncertainties about gas discovery, gas prices and

carbon pricing, its not surprising that uncertainties about the investment horizon persist. All of these issues have significant impact on maintaining security of supply and all must be resolved.

"As its stands, the proposed ban on thermal generation places question marks over the ability to deliver secure supply of low emission electricity at reasonable cost. A more balanced approach enabling the use of efficient thermal generation is recommended," Selwood says.

#### NOTES TO EDITORS

Further information

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