

3 August, 2006

Mr Stuart Calman  
Manager, Energy and the  
Environment  
Ministry of Economic Development

By email to [nzes@med.govt.nz](mailto:nzes@med.govt.nz)

Dear Stuart

## NZCID Submission on National Energy Strategy Draft Terms of Reference

Thank you for the opportunity to make a submission on the draft terms of reference for the National Energy Strategy.<sup>1</sup>

The expected deliverables set out in section 15 of the draft terms of reference and the possible scope of the strategy set out in the Appendix 1 generally address the relevant strategic issues of concern to NZCID members.

However, NZCID recommends the linkage between the government's economic transformation goals and the energy strategy should be explicitly set out as a priority in the draft terms of reference.

### Need increased emphasis on economic growth imperatives

The terms of reference place considerable emphasis on sustainability. While fully supportive of the need for the strategy to meet sustainability goals, NZCID considers comparable emphasis needs to be placed on ensuring the future energy strategy will drive economic growth and create an environment for investor confidence.

The government has clearly articulated its goal to transform New Zealand's economic performance into the top half of the OECD. Development and implementation of the national energy strategy is critical to delivering on this goal.

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<sup>1</sup> Note: This submission represents the views of NZCID as a collective whole, and may not necessarily represent the views of individual member organisations.

## Build investment confidence

Investment confidence is a key driver of economic growth. A first priority of the strategy is to determine what actions are required to promote confidence in investment in energy capacity in the New Zealand market. These include addressing uncertainties about:

- The energy fuel mix in both the short, medium and long term
- Best use of the nation's substantial coal reserves
- The impact of climate change policy on fuel choice
- The transmission upgrade path
- Allocation of water rights and consequential impact on hydro electricity generation capacity
- The regulatory environment and the respective roles the Commerce and Electricity Commissions
- Setting achievable, as opposed to aspirational, energy efficiency goals
- Whether investment decision making and RMA consenting processes will be sufficiently responsive to energy demand needs
- Reducing the barriers to entry
- Ensuring an open and competitive market which stimulates and encourages private sector involvement and investment

These are all issues NZCID considers need to be included under the terms of reference.

## Recommendation of a staged strategy to 2020, 2035 and 2050

We note that an expected deliverable of the draft terms of reference is to provide a "long term strategic view out to 2050".<sup>2</sup> While there is value in taking a long term view, such long time frames are inevitably uncertain. There is a resultant danger that the immediate known issues currently inhibiting security of energy supply will fail to be addressed. It is therefore recommended that the terms of reference identifies a staged strategy development approach to 2020, 2035, and thence to 2050, with the major emphasis being placed on the first 15 year period.

## Time for Action

NZCID seeks a strategy that is action oriented rather than visionary and which provides clear strategic direction.

The Government has consulted extensively in recent years, most notably since the publication of the Sustainable Energy discussion paper in October 2004<sup>3</sup>, and including the series of six workshops involving key stakeholder groups across the country. Among the key issues identified from that workshop process reported to Cabinet in July 2005 was; the "desire by some for a greater sense of urgency" and "a general

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<sup>2</sup> See Developing a NZ Energy Strategy – Terms of Reference 15 (a)

<sup>3</sup> Sustainable Energy: Creating a Sustainable Energy System October 2004

desire for the government to articulate a clearer strategy for achieving sustainable energy objectives over both the short and long term.”<sup>4</sup> .

The outcome must be a strategy that ensures stable and secure energy supply and which delivers on both economic and environmental sustainability goals. The strategy must provide clear direction, reduce uncertainty, provide defined responsibility and accountabilities, and build investor confidence within the energy sector, industry, and the wider community.

NZCID and its constituent members look forward to working with MED and the respective government agencies over the coming months to achieve this outcome.

Yours faithfully,



Stephen Selwood  
Chief Executive

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<sup>4</sup> Cabinet Paper - Sustainable Energy: Report Back (Originally Published on 11 Jul 2005) on [http://www.med.govt.nz/templates/MultipageDocumentPage\\_\\_\\_\\_12491.aspx](http://www.med.govt.nz/templates/MultipageDocumentPage____12491.aspx)

