

# **Submission**

by

**Business|NZ**

to the

**Local Government & Environment Committee**

on the

**Resource Management (Energy and Climate  
Change) Amendment Bill**

**September 2003**

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## 1. INTRODUCTION

1.1 Encompassing five regional business organisations (Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, Canterbury Manufacturers' Association, and the Otago-Southland Employers' Association), Business NZ is New Zealand's largest business advocacy body. Together with its 53-member Affiliated Industries Group (AIG) which comprises most of New Zealand's national industry associations, Business NZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

1.2 In addition to advocacy on behalf of enterprise, Business NZ contributes to Governmental and tripartite working parties and international bodies including the ILO, the International Organisation of Employers and the Business and Industry Advisory Council to the OECD.

1.3 Business NZ's key goal is the implementation of policies that would see New Zealand retain a first world national income and regain a place in the top ten of the OECD (a high comparative OECD growth ranking is the most robust indicator of a country's ability to deliver quality health, education, superannuation and other social services).

1.4 It is widely acknowledged that consistent, sustainable growth well in excess of 4% per year would be required to achieve this goal in the medium term.

1.5 The health of the economy also determines the ability of a nation to deliver on the social and environmental outcomes desired by all. First class social services and a clean and healthy environment are possible only in prosperous, first world economies.

1.6 A secure and stable electricity supply is a critical element to achieving this goal and we welcome the opportunity to comment on the Resource Management (Energy & Climate Change) Amendment Bill ("the Bill"), particularly in reference to its renewable energy and efficiency objective and that regarding the alleged effects of climate change. Comment is also offered on a potential confusion the Bill introduces to the consent process.

## 2. RENEWABLE ENERGY AND FUEL EFFICIENCY

2.1 The Bill proposes amending Section 7 of the principal Act to require RMA decision makers to include in the matters they give particular regard to –

- the efficient use of energy from minerals and other sources of energy; and
- the effects of climate change and the benefits to be derived from the use and development of renewable energy.

2.2 Business New Zealand strongly endorses the efficient use of any and all energy fuels but we equally strongly oppose the bias this amendment gives to renewable energy technologies.

2.3 The country is currently at a critical stage regarding a secure and stable energy supply. Considerable uncertainties surround fuel supplies, notably gas, the price of delivered electricity, and the timely construction of generation facilities. This situation is compounded by problems with the national grid. The average age of transmission assets is now 40 years, a number of constraints exist, and issues surrounding the RMA have been cited by the system owner as a significant barrier to improving the situation.

2.4 There is a strong possibility that investment has already been lost to New Zealand because of uncertainties over future supply. Similarly, business has been lost from New Zealand as a consequence of extreme price volatility caused at least in part by the present supply deficiencies.

2.5 Business New Zealand notes that page 12 of the Explanatory Note to the Bill advises that officials consulted Business New Zealand during the development of the Bill:

*“The issues raised by private organisations were not limited to energy matters and included generic concerns of costs, in both time and money, associated with RMA processes. But a stronger legal mandate for decisions, to give weighting to renewable energy, was generally supported.” (emphasis added)*

2.6 Business New Zealand wishes to advise the Committee this was not the position taken by Business New Zealand during the consultation process and invites the Committee to note the letter of clarification written to officials at the time of that consultation (appended as Attachment 1).

2.7 Business New Zealand recognises the important role of renewables in providing future energy supplies but also notes there is a significant transitional phase to pass through before several of the “new” renewable sources are cost effective and, in some cases, technically viable.

2.8 If confidence in the economy is to be maintained it is of vital importance that all available energy fuels and generation options receive equal consideration during this transitional phase. As a recent report from the Centre for Advanced Engineering (CAE) has noted:

- *“The economy is highly vulnerable to power shortages. With electricity demand in the immediate future unlikely to shrink while the economy continues to grow, New Zealand is facing increasing risk of generating capacity shortfall in a dry year. By 2010, or thereabouts, demand is likely to exceed normal-year generating capacity.”*
- *“If additional new gas reserves are not discovered soon, coal or distillates are the only realistic fossil fuel alternatives. New coal mines could be developed but need a stable market environment to proceed. Greenhouse gas responses and the time required for consenting processes do not foster certainty, adding to the barriers of developing new coal mines and consequent exposure to reliance on imports.*

- *The market share of consumer energy provided by renewables has declined. Even though 10-20PJ of new renewable energy supply is predicted within the next decade, the renewables share of total consumer energy is expected to decline even further. A decreasing contribution from hydro power can be expected over the long term. The contribution from geothermal power will be critical.*<sup>1</sup>

2.9 Business New Zealand believes the CAE report to be timely and it echoes a number of the concerns Business New Zealand has raised in other fora. The country faces a serious situation and an amendment suggesting consent authorities should favour one particular set of technologies risks unnecessarily prejudicing other generation options.

2.10 Business New Zealand also notes that in the regulatory impact and compliance cost statement to the Bill the following comment is made:

*“It would be contrary to the effects-based nature of the RMA to specify particular activities as being desirable, but it is appropriate to highlight particular matters that should be given consideration.”*<sup>2</sup>

2.11 Business New Zealand submits that the amendment in respect to renewable energy is, in fact, contrary to that effects-based approach. Reference to section 7 of the principal Act shows the amendment will mean the section will now instruct,

*“.....all persons exercising functions and powers under it, .....shall have **particular regard to** – (emphasis added)  
“(j) the benefits to be derived from the use and development of renewable energy.”*

2.12 This gives a strong and very specific directive to consent authorities, but Business New Zealand notes there is no other reference to energy in the principal Act. As noted above, thermal sources of energy are likely to become more prominent in the near future and it will be important that section 7 does not become a barrier to their utilisation.

2.13 To avoid such a barrier emerging Business New Zealand submits section 7 (j) should read,

*“(j) the benefits to be derived from the use and development of all available indigenous energy sources.”*

2.14 The need to take an inclusive approach when considering energy fuels for electricity generation is highlighted by considering the following comparison as reported in the CAE document cited above. It shows the energy supply by commodity or generation type required to meet the predicted 800GWh per annum growth of supply requiring 150 MW of new installed capacity each year. CAE notes,

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<sup>1</sup> “New Zealand’s Energy Future”, Centre for Advanced Engineering, 2003, pp3-4

<sup>2</sup> Resource Management (Energy and Climate Change) Amendment Bill, Explanatory note, p3

*“This comparison demonstrates the difficulty of meeting growth requirements from renewable sources and the importance of fossil fuels”.<sup>3</sup>*

ENERGY SOURCE	ANNUAL ENERGY REQUIREMENT TO MEET 2% ELECTRICITY DEMAND GROWTH
gas	22.5 billion cubic feet
coal	380,000 tonnes of sub-bituminous
oil	15 million barrels
geothermal	unconstrained development of an average geothermal field
wind	300 new wind turbines
hydro	a new hydro station equivalent to the Aviemore dam
solar	360,000 domestic solar water heaters

### 3. THE EFFECTS OF CLIMATE CHANGE

3.1 The Bill proposes a further amendment to section 7 requiring particular regard be given to, *“the effects of climate change.”* The explanatory note to the Bill suggests this may impact directly on developers and individual landowners who wish to construct a structure on a coastal or near river site.

3.2 When the Minister for Energy introduced the Bill to the House for its First Reading he stated:

*“With respect to climate change, the Bill requires local authorities to consider and plan for associated effects such as changes in typical rainfall patterns, sea level rise, increased risks of flooding and coastal erosion.”<sup>4</sup>*

3.3 Business New Zealand submits these alleged effects of climate change are speculative and should not be grounds for introducing an amendment that has potentially the effect to negatively impact on property rights. If someone owns a parcel of land deemed to be “at risk” on these grounds, is it not a substantive erosion of property rights to preclude them building on it?

3.4 Storm conditions at a coastal location or flooding of a river system are natural phenomena and a risk accepted by property owners who choose to build in such situations. Consent authorities have a number of existing mechanisms within the consent process to limit development if that risk is perceived to be unacceptably high. It is the view of Business New Zealand that this amendment, if enacted, may very well be used by those opposed to a particular development when no other reasonable grounds of objection exist and prove to be yet another obstacle in an already convoluted process.

3.5 Business New Zealand submits the proposed amendment to section 7 of the principal Act regarding the effects of climate change be removed.

<sup>3</sup> “New Zealand’s Energy Future”, Centre for Advanced Engineering, 2003, p24

<sup>4</sup> Speech Notes, Hon Pete Hodgson, 5 August 2003

## 4. A POTENTIAL CONFUSION

4.1 The third part of the Bill restricts regional council control of greenhouse gas emissions to air from trade and industrial premises as they are to be covered by a national mechanism.

4.2 Business New Zealand supports this amendment but notes that if the “effects of climate change” amendment to section 7 discussed above is proceeded with it would appear to introduce a contradiction into the process.

4.3 On the one hand, the Bill directs local government to formally consider the alleged effects of climate change and on the other directs that the emissions supposedly leading to those effects be ignored. This apparent contradiction reinforces the view that along with consideration of air emissions consideration of the “effects of climate change” should not be introduced to the RMA consent process.

## 5. CONCLUSION

5.1 Future energy supplies are far too important for national economic growth to have the consent process weighted to one particular set of fuels and technologies. There is a clear need to offer direction and guidance to local government that electricity generating capacity is a matter of national importance. An amendment strongly favouring renewable energy risks obstructing the introduction of other indigenous energy supplies.

5.2 Citing extreme weather events is inadequate reason to introduce a potential new barrier to the consent process. Business New Zealand notes that recent flooding and associated property damage in areas such as the Coromandel Peninsula is more a consequence of under investment in flood management infrastructure than the “effects of climate change”. Addressing the reasons for that lack of investment would be a more productive course to pursue than requiring consent authorities to consider a still uncertain area of science.

## 6. RECOMMENDATIONS

6.1 Business New Zealand submits that;

- section 7 (j) of the principal Act should read, *(j) the benefits to be derived from the use and development of all available indigenous energy sources,*
- the proposed amendment to section 7 of the principal Act requiring particular regard be given to, *“the effects of climate change”* be removed, and
- the proposed amendment to section 70A of the principal Act directing regional councils to not have regard to air discharges from industrial and trade premises be advanced.

Business New Zealand wishes to be heard in support of this submission.

## Attachment 1

15 November 2002

Ms C Crookshanks  
Ministry for the Environment  
PO Box 10-362  
WELLINGTON

E-mail to: [Connie.crookshanks@mfe.govt.nz](mailto:Connie.crookshanks@mfe.govt.nz)

Dear Connie

### **Re: Issues surrounding Energy Efficiency, Renewable Energy and the RMA**

Thank you for your e-mail of 3 November (received 4 November 2002) and the "issues" document. It provides a useful summary of the meetings we participated in. In our view those discussions highlighted two points;

- it is clear that considerable improvements in practice and implementation of the Resource Management Act by local government are urgently required. It is also clear such improvements would considerably assist in addressing unnecessary costs and time delays and unreasonable consent conditions (we welcome the news that the Ministry is building work in this area into its forward work programme), and
- a mechanism(s) needs to be introduced that establishes electricity generation projects as projects of national interest and ensures consideration of that interest is integral to the consent process.

We wish to re-iterate a point we made during the meetings. While supporting and encouraging energy efficiency and the use of energy from renewable sources, we do not support selective amendment of the RMA that results in a bias in the consent process toward renewable energy generation that may result in unnecessary additional energy costs being placed on the economy.

We do support the development of a mechanism, such as a National Policy Statement (and guidance for councils), that clarifies all applications for electricity generation projects using any energy source as being matters of national interest.

Legislative reform of the RMA and improved practice are clearly priorities if the desired national environmental and economic goals are to be achieved. Such reform is also linked to the pressing need to arrive at a more strategically directed energy future. "Quick fix" amendments favouring a group of specific technologies will not address these priorities.

The issues paper identifies a number of areas of uncertainty and highlights the complexities involved in addressing the variety of constraints resulting from the RMA and its implementation. Given these complexities it would appear that further dialogue needs to occur and that dialogue needs to be broader in outlook than the current narrowly focussed approach.

We would urge you to advise the Minister that, (a) further work needs to be done in relation to the RMA and future energy supplies, and (b) work on reform of the RMA and improving council practice and implementation needs to be accelerated if the desired positive outcomes are to be achieved.

We would like to thank you for arranging the meetings to discuss these issues and express our desire to be involved in further discussions on matters that we believe to be of critical importance if the country is to achieve and maintain a sustainable level of growth.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Whitehouse', written over a horizontal line.

Peter Whitehouse  
**Adviser – Environment & Technology**