

Advocacy spot: defending gas

John Carnegie, Energy Resources Aotearoa, talks with AdvocacyUpdate

AdvocacyUpdate: Who does Energy Resources Aotearoa represent?

John Carnegie: We represent explorers, producers, distributors and users of energy. We also represent energy-intensive firms - firms that need to use a lot of energy to produce their products and services. So, we have a big interest in fuels that are produced here in New Zealand, like oil and gas.

AdvocacyUpdate: You've been prominent in the news, calling for the ban on oil and gas prospecting to be reversed.

John Carnegie: That's because oil and especially natural gas are really important for our prosperity. We don't usually think much about where our energy comes from, but oil and gas provide around about 55 percent of New Zealand's total energy. Gas is particularly important – it's used by around 400,000 homes and businesses, it runs the big boilers in hospitals, it powers the commercial glasshouses that grow the horticultural products that we sell and export, it creates methanol for exporting, and amazingly, it keeps the electricity industry operating - when we have a dry winter and the lakes are low, it provides a vital backup. Gas generates around 15 percent of our electricity and helps to keep prices down when demand is high, and renewables can't keep up - so, the use of gas by the electricity sector actually helps us to decarbonise. Up till now, natural gas has given us about 11,000 jobs and around \$650 million dollars a year in royalties and taxes. But unfortunately, we now have real pressure on our long term supply of gas, largely because of policy-led disincentives.

AdvocacyUpdate: Why the disincentives? What's bad about gas?

John Carnegie: Well, when you burn natural gas, it creates carbon, which contributes to climate change - although, like everything, it's relative. Gas emits only about half the emissions of coal, and so it's a really useful for using to transition from coal to more renewable sources of energy.

AdvocacyUpdate: Is gas being disincentivised in other parts of the world also?

John Carnegie: Not to a great extent. Actually gas, is seen as the vital link from a high-emitting activity to lower-emitting activity, so it's seen as a bridge to progress. That's not the way it's seen here. Here we have an unusually large proportion of our energy produced renewably, from hydro stations, which seems to have led to a view that because our electricity system is so renewable, we don't need gas. Well, that's just not so - as was demonstrated in August when we had blackouts affecting tens of thousands of households in Auckland and other centres. Those blackouts could have been easily averted if we were able to use gas to contribute towards powering our electricity system.

AdvocacyUpdate: But aren't our gas reserves running out anyway?

John Carnegie: Yes, we do have gas fields that are in their mid- to end of field life. But we still need investment to be made in them. It's just like any business - you need ongoing maintenance investment to ensure that production continues. What the oil and gas exploration ban has done, is taken away that that favourable investment climate. Investment is not being made to keep gas production flowing optimally. As a result, we can't use gas to bridge the gap between "bad oil" and "good renewable energy," while we make our way to a more sustainable future. It's a problem.

AdvocacyUpdate: The Crown Minerals Act is currently being updated with new decommissioning rules – will this impact the gas sector?

John Carnegie: The proposed decommissioning rules are in fact overkill and should be a massive concern to gas users. We support the goal of the rules, which is to ensure that the Crown shouldn't have to pay for any decommissioning, but the rules go far beyond that, by requiring former owners of energy plant to pay for decommissioning if a new owner fails to do so. This sort of perpetual liability would create sovereign risk for anyone who might want to invest in the gas industry - or indeed the wider New Zealand economy – and would further disincentivise investment in gas in New Zealand.

AdvocacyUpdate: Can we hope that new technology will come onstream to solve some of these problems?

John Carnegie: There are new technologies and new energy sources - like biomethane, green LPG and hydrogen - but the economics of all of those are challenging to some extent or another. So, we are likely to remain heavily reliant on the use of gas in our economy for decades to come - I just don't think there's any way of avoiding that. Interestingly, there's been some publicity in the UK just recently about the quadrupling of gas prices over recent months and the impact that has on affordability for consumers and businesses. And unfortunately, I think that we can look to the UK and fairly well predict our future here - which is unfortunate because some of the outcomes in the UK are truly awful, and we're just beginning to see a hint of some of them play out here. But I do believe we can take an alternate path that will get to the outcomes we all want.

AdvocacyUpdate: What is happening in the UK now in the energy sphere?

John Carnegie: Well - just like in New Zealand - fossil fuels are being heavily disincentivised, but there's still a gap between fossil fuels and the alternatives. So, the price of gas has soared, making home heating basically unaffordable, while alternative fuels actually aren't there at scale and at a price that people can afford. So, the UK has an energy gap, with disincentives to invest in gas supply, soaring gas prices, a soaring carbon price, while alternative low emission technologies aren't yet commercial. This is the kind of environment we want to avoid.



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