

27 May 2020



Hon Dr Megan Woods
Minister of Energy and Resources
Parliament Buildings
Wellington

Ground Floor
114 The Terrace
PO Box 553
Wellington 6140, New Zealand

Phone: +64 4 499 5046
E-mail: info@nzwea.org.nz
www.windenergy.org.nz

Dear Minister

New Zealand's Plan for Economic Recovery

I am writing to share the Association's perspective on the opportunity to progress renewable electricity generation and decarbonisation of the energy sector as a key contributor to the Government's plan to advance New Zealand's economic recovery.

First the Association wishes to acknowledge the extraordinary impact of the current COVID-19 pandemic and the excellent progress the government has made in minimising the health crisis and preserving employment.

As the Government puts in place measures to stimulate economic recovery the Association, like many organisations, recognises the need to move quickly whilst also ensuring that investment enhances sustainability for future generations.

At its recent board meeting the Association considered how the wind industry can contribute given the unprecedented impact of COVID-19 and these points are outlined below:

1. Progressing new wind farm construction

As you will be aware Mercury and Tilt have committed \$740 million to the construction of the Turitea and Waipipi wind farms. When complete the two wind farms will, on average, produce enough electricity to power over 180,000 homes or 580,000 electric vehicles. As expected development of both windfarms has however been impacted by the COVID-19 level 4 restrictions.

Meridian and MainPower are also considering new wind farm developments at a cost of \$530 million that will, on average, produce enough electricity to power an additional 110,000 homes or 350,000 electric vehicles.

2. Support for investment in transmission upgrades

The Association supports Transpower progressing the Clutha Upper Waitaki Lines Project (CUWLP) at a cost of \$92 million. As outlined in Transpower's recent Whakamana I Te Mauri Hiko Report ¹ it is one of 7 major interconnection upgrades required to build a low carbon infrastructure.

The recent Transpower CUWLP consultation ² further confirmed the project is "shovel ready" for development.

¹ Transpower, Whakamana i Te Mauri Hiko, Empowering our Energy Future, March 2020.

² Transpower, Clutha Upper Waitaki Lines Project, Invitation to Comment, May 2020.

In addition to CUWLP, the Association considers there would be merit in evaluating a wider initiative to progress other future focused transmission spend to enable renewables development. This has been considered in the past in New Zealand through the Electricity Commission's Transmission to Enable Renewables project. That project has not advanced, whereas other countries including Australia are progressing with large-scale renewable energy zones to provide the transmission infrastructure required for bulk renewable energy connections. The Global Wind Energy Council has also recently highlighted the need for adequate investment flows towards critical infrastructure including power systems and grid infrastructure ³. Doing so would bring forward transformational climate change investments that have been identified as necessary to support expected North Island thermal power station retirements and growth in electricity demand as a result of the decarbonisation of the energy sector.

3. Enable community and distributed renewable generation

The Association has a strategic focus on expanding the opportunity for wind energy development to enable community and industrial projects. As part of New Zealand's focus on regional development NZWEA continues to look for opportunities to support community energy projects.

The mission for the wind industry is to maintain existing operating capability and ensure a continual focus on new build activity to support demand growth. Given the commercial nature of the electricity sector there are several issues and opportunities we would like to bring to your attention:

1. Securing critical resources

Wind farm construction is highly technical and there is a need for specialised resources. Both Mercury and Tilt have identified skill gaps, particularly in the areas of turbine erection and commissioning and have engaged with MBIE regarding both the designation of wind farm construction sites and securing critical persons visas.

The Association would like to see wind farm development considered for designation as an essential service, as this would allow continuity of build activity should it be necessary to return to an alert level 4 period. The Association also considers that the process for considering critical person visas should be reviewed and streamlined.

2. Accelerating electrification

The opportunity to electrify transport and industrial heat is well understood but has proven difficult to progress. In addition to the potential to invest in the transmission grid outlined above, there is an opportunity to consider initiatives that both build capability and accelerate progress in the decarbonisation of the energy sector. Electricity demand stimulation will in turn result in increased new build activity and employment.

³ GWEC Statement wind power a cornerstone of the global economic recovery - <https://gwec.net/wp-content/uploads/2020/05/Untitled-design-41.png>.

Transitioning to a low carbon energy system is also recognised as having wider economic benefits beyond employment and a reduction in emissions. Transpower estimates the average household energy bill could decline by 27% in real terms by 2035 with increased electrification⁴.

3. Supporting community energy

New Zealand has lagged behind Europe in the development of community energy initiatives. MBIE's recent Accelerated Renewable Energy and Energy Efficiency Discussion Document ⁵ has highlighted barriers to development here. The Discussion Document noted "that pilot and demonstration projects are used internationally by governments to catalyse the adoption of new technologies and social programme". The Association considers the timing is right for the Government to progress such pilots in New Zealand, potentially involving wind, solar and storage.

4. Ensuring a level playing field

The Association has noted the call for the widespread roll-out of a subsidy for the installation of domestic solar. The New Zealand electricity market operates on a commercial basis and, as experienced in other markets, backing one technology over others generally leads to suboptimal economic outcomes and supply / demand imbalances, and undermines investor confidence. NZWEA considers that all renewables should be treated equally and support for domestic consumers should be by way of energy efficiency initiatives and improving household insulation rather than backing a specific generation technology.

Balancing speed with a future focus to ensure initiatives deliver long-term climate benefits will be a priority for the Government in its decision-making process. The Association supports the principles outlined by the Chair of the Climate Change Commission in his letter to Minister Shaw ⁶ and considers that the energy sector offers many opportunities to apply principle 2, which is about bringing forward transformational climate change investments that need to happen.

Determining economic recovery priorities will be challenging with many views being put forward. If you would like to discuss NZWEA's perspective further please contact me.

Yours sincerely



Blair Walter

Chair, New Zealand Wind Energy Association

⁴ Transpower, Whakamana i Te Mauri Hiko, assumes the average household has two cars and one is electric.

⁵ MBIE Accelerated Renewable Energy and Energy Efficiency Discussion Document ,Section 9, December 2019.

⁶ Dr Rod Carr letter to Hon James Shaw dated 7 April 2020.