

Enabling Investment in Offshore Renewable Energy – Discussion Document

NZ Wind Energy Association Submission

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Submissions
MBIE

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Introduction

1. The New Zealand Wind Energy Association (NZWEA) appreciates the opportunity to provide a submission on Enabling Investment in Offshore Renewable Energy.
2. The Association recognises the importance of the establishing new regulatory settings to provide greater clarity and certainty to enable investment in offshore renewable energy.
3. It is noted that existing consenting regimes are not designed to effectively manage offshore development with no ability for consenting authorities to weigh the merits of competing projects.
4. With lengthy timeframes to assess, develop and commercialise offshore energy establishing regulatory settings which provide for a competitive allocation process act in both the national interest and support the ability of developers to make investment decisions with greater confidence.
5. The international outlook for offshore wind development is exciting, with many countries setting ambitious growth targets to support decarbonisation, given limited potential for further onshore development. If Aotearoa New Zealand is to compete with other markets and establish a new offshore wind industry a fit for purpose regulatory framework is an essential first step.
6. The Association acknowledges that the Government has moved at pace to establish a regulatory framework for undertaking feasibility studies. The speed of development recognises that a number of leading offshore wind developers are very interested in the NZ market and the prospective economic and emission reduction benefits that may result from establishing a new industry.
7. NZWEA has several global leaders in offshore wind energy as members ¹. The Association's submission represents areas where collective agreement has been reached.

Summary

8. NZWEA supports the proposed regulatory approach being split into two phases and welcomes that it is intended that the phase two consultation on construction, operation and maintenance and decommissioning will occur in mid-2023.

¹ BlueFloat Energy, Copenhagen Infrastructure Partners / NZ Super Fund, Oceanex Energy and Parkwind NV .

9. The Association also supports a developer-led approach on the basis that it would enable more timely feasibility assessment with clearer accountabilities than under a government-led approach.
10. Given the expected cost of undertaking feasibility assessments, particularly environmental studies, international competition for offshore infrastructure and technologies and the recognition that developers have a wide range of other development options, a permit-based approach is preferred.
11. Such an approach, with sole rights to apply for future consents and permissions to construct in a designated area, increases certainty for developers planning to invest in undertaking feasibility activities.
12. NZWEA considers that any risks related to a permit-based approach can be addressed through appropriate developer selection criteria and setting ongoing performance requirements.
13. The Association also considers that, as a general principle, uses, interests and values set as 'prohibitive' in feasibility permits should be limited. Doing so best enables developers to manage their risks as they evaluate whether a commercial proposition exists. It also prevents second guessing the ability of developers to successfully manage stakeholders and mitigate effects to the extent required to obtain a resource consent.
14. In addition to regulatory settings, the Association's offshore wind members consider that there are other key areas for development that should be included to better enable the commercial aspects of feasibility studies to be progressed:

Transmission grid	<ul style="list-style-type: none"> ▪ Offshore wind projects are of a considerably larger scale than most new generation currently being connected to the national grid. ▪ Policies should be developed to enable collaboration between Government, developers and Transpower to ensure grid upgrades are approached strategically.
Offtake arrangements	<ul style="list-style-type: none"> ▪ Internationally the route to market for large-scale offshore wind projects has generally included some form of price guarantee. ▪ Having clarity on the Government's approach and framework as to the level of support intended to be provided will be an important consideration for developers.
Resource management – national direction	<ul style="list-style-type: none"> ▪ We note the ongoing amendments to the resource management regulatory framework and the importance of ensuring appropriate national direction to enable renewables development including offshore wind energy.
Environmental monitoring	<ul style="list-style-type: none"> ▪ Clarity on environmental baseline monitoring expectations would provide increased certainty and improve the quality of studies undertaken.
Target setting	<ul style="list-style-type: none"> ▪ The setting of targets for offshore wind development as part of the National Energy Strategy would further signal the Government's commitment to developing the industry.

Response to Specific Questions

Chapter 3: Why does the government need to enable feasibility activity now?

Do you agree with the proposed policy objectives outlined in the discussion document? Why or why not?

1

Yes. In providing context the Association considers there would be merit in referencing the long-term nature of the investment required and potential long-term benefits to Aotearoa New Zealand particularly given that feasibility activities are at the beginning of the development cycle.

For developers ensuring certainty in a timely manner is important but it is recognised this must be balanced with the interests of all other stakeholders.

The Association also notes that in ensuring Aotearoa New Zealand's national interests, including appropriate safeguards are met, the allocation of feasibility permits will need to enable effective competition among developers.

Are there other objectives that we should consider that are not captured above? If so, what are they and why are they important?

2

The objectives cover the key outcomes that should be sought.

Implied in the first objective is ensuring that the selection process is competitive and has transparency. This will be necessary to support Aotearoa New Zealand's national interests, ensuring appropriate safeguards and environmental protection.

Effective competition will be essential to creating value for Aotearoa New Zealand and should ensure the best project proposals prevail.

There may be merit in either reviewing the first objective or creating a separate one to highlight the importance of a competitive and transparent process.

In para 15 other considerations to enable investment in offshore renewable energy have been identified for which objectives should be set.

Do you agree with the proposed criteria for assessing the proposals for regulating offshore renewable energy? Why or why not?

3

The proposed criteria are supported.

For developers certainty and timeliness are closely linked, particularly as international competition for offshore wind technology and development capability intensifies.

That said, offshore wind is a whole new industry for Aotearoa New Zealand and the opportunity to learn from relevant overseas precedents and shape these for the local context is essential to ensuring a quality regulatory framework that supports development of a successful sector.

Ensuring that policy objectives are met in a timely, efficient and effective manner could be considered as an overarching criterion for success.

4

Are there other criteria that we should consider that are not captured above? If so, what are they and why are they important?

No.

Do you agree that the criteria should be equally weighted? Why or why not?

5

All the criteria are important. As noted in response to question 3, given international competition and the large capital expenditure required to deliver offshore wind projects, a lack of certainty for investors would most likely result in the other criteria failing as well. Developers therefore consider certainty should have an additional weighting.

Chapter 4: Proposals for managing feasibility activities

What role do you think government should have in gathering feasibility information for offshore renewable energy development?

6

NZWEA considers developers should have primary responsibility for information gathering. Developers may decide to collaborate in relation to some studies that are of mutual benefit in areas such as a baseline national seabird study. Government may also determine that certain studies should be supported as being of national interest in developing a common information set and also in assessing options to ensure public access to data sets.

Government could assist developers by facilitating engagement with stakeholders and development partners and supporting positive resolution of conflicts. The role of Government in gathering feasibility information could increase once the offshore wind industry is up and running, ambitions for the energy strategy are clearer and regulatory and permitting agencies are more experienced in offshore wind.

Do you agree that, at least in the short-to-medium term, a developer-led approach to gathering feasibility information is appropriate for Aotearoa New Zealand? Why or why not?

The Association supports a developer led approach on the basis that it would enable more timely feasibility assessment with clearer accountabilities than a government-led approach.

Specifically in relation to the three criteria outlined in Chapter 3:

7

- Effectiveness – Developers have already been proactive in progressing activities including engaging with local communities, iwi/Māori and other stakeholders.
- Certainty – Enabling early developer-led efforts and providing exclusivity towards a commercial license for an offshore area are amongst the strongest supports that a country can provide to de-risk projects of offshore wind scale. From a Government perspective, providing certainty also mitigates the risk of developers preferring other markets and allocates development risks to those best equipped to manage it.
- Timeliness – Most developers consider projects from a global portfolio perspective and with supply chains challenged they are in the best position to integrate Aotearoa New Zealand activity with other activities in the most efficient manner.

8

Is there another approach not considered above that may be more suitable?

No.

9

Do you agree with the two shortlisted options (permitting and collaborative) that we have identified? If not, what other viable options might we be looking at?

Yes. The two approaches cover the broad spectrum of options.

Assuming a developer-led process to propose sites and assess feasibility, do you think the permitting approach or the collaborative approach would deliver a better outcome for Aotearoa New Zealand and why?

- 10 Given the expected cost of undertaking feasibility assessments, particularly environmental studies, international competition for offshore infrastructure and technologies and that developers have a wide range of development options a permit-based approach is preferred.
- Such an approach, with sole rights to apply for future consents and permissions to construct in a designated area, provides sufficient investment certainty to progress feasibility activities.
- NZWEA considers that any risks related to a permitting approach can be addressed through appropriate developer selection criteria and setting ongoing performance requirements.
- A fully collaborative approach would require significant coordination and consideration by developers to address issues of commercial advantage and IP protection which could result in lengthy development timeframes and make it harder for developers to commit the large investments needed for exploratory activities.
- Notwithstanding preferring a developer-led process developers recognise the opportunity for meaningful collaboration in areas such as monitoring activities and technical studies and are best placed to identify these opportunities.

11 **How could a collaborative approach be designed to enable the objectives set out above, and what could the government do to support collaboration?**

Without assigning development rights it is difficult to see how a collaborative model could succeed with the time and effort to set up agreements a major drawback particularly if there are overlapping and competing interests.

As noted in response to question 6 and 10 having a developer-led / permitting approach does not prevent collaboration. The key point being that under a permitting approach feasibility activity is driven by developers who will determine the scope of works and the extent to which collaboration is desirable in response to economic incentives such as achieving economies of scale in undertaking baseline studies. Developers will also take into account other opportunities to benefit NZ Inc, communities and enhance social licence.

12 **Have we captured a complete list of trade-offs between the two shortlisted options? What else, if anything, should we be considering?**

The key consideration is which option best enables the objectives to be met. In relation to the trade-offs identified it is evident that option 1 of feasibility permits best meets the defined objectives with the Government able to set terms which mitigate any potential risks.

Chapter 5: Māori involvement in the assessment of feasibility

What broad opportunities do you see for iwi, hapū, and/or whānau to be involved in the feasibility stage of development (both before and during studies)?

- 13 Developers currently active recognise the importance of Maori involvement in undertaking feasibility studies and are actively engaging with local iwi, hapū, and/or whānau and support their involvement. The discussion document outlines a number of possible requirements which are supported. Opportunities could range from establishing commercial partnerships to knowledge-sharing and advisory services.

	Are the above requirements sufficient to achieve this? How can the requirements be implemented to reduce undue burden on mana moana or developers?
14	<p>Yes. Notwithstanding this it will be essential that developers encourage iwi, hapū and whanau to articulate their desires and vision and incorporating those in their developments if they are to gain resource consents.</p> <p>Developers could offer to assist iwi from a financial and resource perspective to ensure that they are best able to engage in the consultation process. Alternately Government could work with iwi to ensure they are adequately resourced and funded to participate as contemplated. Application fees imposed on developers could be shared by government with iwi.</p>
15	What information/mātauranga Māori and process/tikanga will be important for developers to incorporate into their feasibility plans, and how should iwi, hapū, and/or whānau be involved in gathering this information?
	Iwi, in close collaboration with and supported by developers, are best placed to develop information requirements.
16	What mechanisms for monitoring and enforcing these requirements are appropriate (regular reporting by developers that is reviewed by iwi etc)?
	Regular reports based on the areas identified in the Discussion Document seem appropriate Notwithstanding this iwi, in close collaboration with and supported by developers, could further develop monitoring mechanisms.
17	How should the adequacy of iwi involvement be assessed? What does good faith and meaningful participation look like?
	Adequacy would be determined by meeting agreed criteria which could be further developed by iwi, in close collaboration with and supported by Government and developers.
Chapter 6: Considerations for a permitting framework	
18	Do you agree that developers should be required to meet prequalification criteria to be eligible for exclusive feasibility rights?
	Yes. The advancement of offshore wind is of national significance and as there are a number of developers expressing interest in progressing feasibility studies it will be important to identify those that have the best capability and alignment with Aotearoa New Zealand's interests.
19	Are our proposed criteria appropriate? Are they complete? If not, what are we missing?
	Yes. The categories of technical, financial and commercial capability are appropriate as is the information required within each category. The Association would recommend that consideration also be given to the developers procurement strategy and supply chain management competency.
20	How should we consider material changes to permit holders' status and capability? Do you think mechanisms to review permit criteria would be appropriate?
	The applicants health, safety and environmental management (HSE) credentials should also be assessed alongside technical and financial competence.

Any material change in ownership should require the permit holder to seek approval to transfer any interest in the permit. The potential change in ownership could then be assessed against the criteria used to assess the original permit application to ensure suitability.

Offshore wind projects are often developed by consortia of investors with complex structures, therefore provisions will need to be in place to allow for a natural degree of change in the funding structures which provide capital to the ventures, as these are often revisited on a regular basis by investor boards.

Do you agree that a feasibility licence should last for five years with an option to extend for a further two years?

21

We recommend that feasibility permits are granted for a period of 10 years, rather than the 5 years proposed in the Discussion Paper. A 10-year term would provide sufficient time for thorough environmental baseline monitoring activities, to navigate the RMA (or NBE) consenting process, to ensure meaningful relationships with iwi are developed and proper consultation with local communities occurs as project designs are matured and to develop the necessary supporting infrastructure (i.e. ports and transmission).

Do you agree that a feasibility licence should be subject to 'use-it or lose-it' provisions, with permits not exercised within 12-months lapsing? What circumstances would trigger the use it or lose it provisions?

22

Yes, the adoption of use-it or lose-it provisions mitigates the risk of the permitting term.

It is appropriate for feasibility work to commence 12 months from the license being granted. However contingencies should be put in place to allow for delays outside the developers' control.

Use it or lose it provisions should be based on addressing the risk of 'land banking' which would generally be triggered around lack of activity in relation to project plan milestones not being achieved and the developer not being able to provide an appropriate rationale for the lack of progress.

How should government best deal with the issue of overlapping applications?

23

The issue of overlapping applications will be very real in an Aotearoa New Zealand context given the optimal parameters for the first offshore wind farms only occur in limited areas.

The benefit of a permit regime is that it allows all applications to be assessed on merit at a point in time. Where overlapping applications are received the Association recommends that applicants are provided the opportunity to amend their proposals. Applicants can then determine whether a negotiated outcome is preferable to the government making a decision based on the applicant that best meets the criteria. A predetermined period should be allowed for negotiations to conclude.

It is important to note that should the Government make determinations and split areas among multiple developers, this may have material commercial implications in relation to scale, cabling routes and energy yield losses from wind turbine shadowing etc that impact viability. Appropriate spacing between areas will thus be key.

Do you agree that a single national entity should hold responsibility for inviting and assessing applications?

24

As noted, development of offshore energy infrastructure is a nationally significant activity and should therefore be managed by a single national entity. The approach

	to petroleum and mineral permits provides an appropriate template with MBIE being the best placed agency.
	Do you agree that the Minister of Energy and Resources, acting on advice from officials, should make the final decision on applications for permits?
25	<p>Yes. The Association considers it completely appropriate that the decision-maker under the legislation be the Minister holding the energy and resources portfolio.</p> <p>We note that the Minister may give consideration to some of these powers being delegated to an appropriate official which the Association also supports.</p> <p>The Association also notes that offshore wind has the potential to be a key component of the energy mix and the national energy strategy which further reinforces the appropriateness of the Minister of Energy and Resources being the final decision maker.</p>
26	Do you agree with charging fees sufficient to recover the costs of inviting, and assessing feasibility permit applications, and monitoring permit holders?
	Yes, Recovery of costs is appropriate and should be a fee that is charged irrespective of success.
27	What other steps would ensure that processes are transparent and fair for developers?
	The Discussion Paper contains most appropriate steps. In addition the scoring system should be available to developers with them individually being advised how they have been assessed on each criteria.
	Do you think that public submissions should be sought on permit applications? What other steps would ensure sufficient opportunity for iwi , hapū, whānau, and stakeholders to inform decision-making?
28	<p>The permit application is to undertake a feasibility assessment where limited information is available on the impacts of any development.</p> <p>Also, in undertaking a feasibility assessment a developer would be required to comply with monitoring and reporting requirements as well as being aware of relevant resource management and other legislation.</p> <p>Should a developer decide to progress their project after completing a feasibility study they would need to obtain a resource consent which would then be subject to public notification. At this stage stakeholders would have access to appropriate information to decide whether to support or oppose the consent application.</p> <p>The proposed feasibility framework plus requirements under resource management legislation, particularly the proposed Natural and Built Environments Act would provide sufficient opportunity for iwi , hapū, whānau, and stakeholders.</p> <p>Therefore if public submissions are sought they should be limited in scope recognising the limited information available and that the purpose of the feasibility stage is to conduct studies to understand the effects of offshore wind development.</p>
29	Do you agree that permit-holders should regularly report on the progress of their feasibility studies? How frequently should the reporting be?
	Yes. At a minimum formal reports every 2 years with six monthly update meetings.
30	What reporting standards should the Government set to make the disclosures meaningful?

Reporting standards should include an acceptable project management methodology.

The reporting required for New Zealand Petroleum and Minerals may offer a useful basis for setting reporting standards.

Who should have access to this information? How should it be shared?

31

The national entity in charge of the feasibility process should be the main recipient of reported information.

The report developers provide will likely include commercially sensitive information around strategies and timelines for their development, so at most only limited or highly summarised information should be made available to other parties.

Do you agree that developers not complying with obligations could face compliance actions, with risk loss of rights to conduct feasibility studies as a last resort? What sorts of non-compliance could lead to the loss of these rights?

32

Yes. Non-compliance could include no longer meeting the criteria for permit holders or failing to progress activities without good cause. Not meeting agreed reporting timelines or providing inadequate information which does not enable the monitoring entity to adequately assess developer progress should also result in compliance action.

Chapter 7: Information on existing uses, interests, and values

Are there other uses, interests, and values not covered above that can be readily mapped? What are they?

33

Under environmental uses, interests and values seabird colonies and breeding grounds should also be considered.

Of the uses, interests, and values identified above, which ones do you consider should be prohibitive, ie the existence of those uses, interests, and values in a given area should exclude an area from consideration for offshore renewable energy generation? Why?

34

The Association considers as a general principle uses, interests and values set as 'prohibitive' should be limited.

Developers will undertake an assessment of the factors listed in chapter 7 before seeking a permit for feasibility. They will do so to have greater confidence that their investment in undertaking studies is proportionate to the risk of not being able to satisfactorily address other party uses, interests and values to the level required to obtain a resource consent.

The purpose of feasibility assessments is therefore to confirm commercial viability and assess effects to the level of having confidence of being able to obtain a consent. The more prohibitive the conditions for obtaining a feasibility permit the more the process becomes a proxy for the formal process of seeking a resource consent.

What opportunities do you envisage for offshore renewable energy developments and other uses, interests and values to co-exist, or be co-located in the same space?

35

Iwi, hapū or whānau Involvement in offshore projects will enable co-existence opportunities and challenges to be identified and addressed.

Other Offshore wind opportunities include:

- Artificial reefs. The substructures that support the turbines have successfully established artificial reefs which can attract sea life and replenish fish stocks. So it is possible for offshore wind to potentially co-exist with certain fishing activities. The Association is aware of a proof-of concept trial being undertaken by Orsted in offshore Taiwan.

[ReCoral – Coral Restoration Project | Ørsted \(orsted.com\)](#)

- Eco-tourism. Activities including boat visits to offshore wind farms are becoming increasingly successful.
- Aquaculture. Offshore wind developments also offer a real opportunity for co-location with activities such as aquaculture. Given the minimum distance between turbines of 1.5-2km, normally a significant portion of the water surface in an offshore wind farm remains essentially free and could be used to deploy aquaculture or seaweed cultivation structures, with the turbines offering ready access to an energy source.

How could conflicts with existing uses, interests and values be managed?

Conflicts and interests should be identified and addressed as part of the feasibility study with the resource consenting process acting as the final arbitrator if agreements cannot be reached.

Most potential areas for conflict with existing uses and interests have been identified in chapter 7.

36

- Iwi, hapū or whānau Involvement in offshore projects should enable conflicts to be managed particularly if partnerships are developed.
- From an economic perspective offshore wind farms may limit existing commercial fishing activities and would require a commercial negotiation.
- Environmental assessments and appropriately managing effects is at the core of any renewables development.
- Safety - In the pre-development phase consideration is given to high-traffic shipping routes and protection zones.
- Social – recreational fishing may be possible within an offshore wind farm.

What uses, interests and values cannot readily be mapped? How should these be taken into account when considering the feasibility of establishing offshore wind farms?

37

All interests would be expected to be identified and managed as part of the consenting process.

Any other comments?

That a number of the global leaders in offshore wind development have expressed a strong interest in establishing a new industry / asset class in Aotearoa New Zealand is exciting.

The Association considers the Discussion Document has carefully assessed the options and responded with a preferred approach which balances developer preferences with appropriate processes to manage national and local interests.

Other Considerations to Enable Investment in Offshore Renewable Energy

15. In addition to regulatory settings, the Association's offshore wind members consider there are other matters that should be considered to better enable the commercial aspects of feasibility studies to be progressed:

Transmission grid	<ul style="list-style-type: none"> ▪ Offshore wind projects are of a scale unlike most generation currently connected to the national grid and investment will be required to upgrade the grid to enable the generation capacities proposed by developers for the volume coming onshore. ▪ Policies should be developed to enable collaboration between government, developers and Transpower to ensure grid upgrades are approached strategically. ▪ For example, the Renewable Energy Zone concept could be utilised for key offshore wind development areas and be developed with a coordinated approach by government, Transpower and developers to enable a specific grid capacity based on the potential of that region.
Offtake arrangements	<ul style="list-style-type: none"> ▪ In recognition of fostering a new technology and increasing competition globally, the route to market for large-scale offshore wind projects, especially in new markets, has generally included some form of price guarantee assisting the developer to achieve project finance. ▪ Large scale offtake arrangements such as Contracts for Difference (CfD) administered by governments have proven to be a successful model. Offshore developers note that financial instruments have had little application in Aotearoa New Zealand in support on new renewables development. ▪ Having clarity on the Government's approach and framework as to the level of support intended to be provided to enable offshore wind development will be an important consideration as feasibility studies are progressed.
Resource management – national direction	<ul style="list-style-type: none"> ▪ We note the ongoing amendments to the resource management regulatory framework and the importance of the proposed Natural and Built Environment and Spatial Planning Acts providing appropriate national direction to enable renewables development including offshore wind energy. ▪ In particular the current National Policy Statement – Renewable Electricity Generation is ineffective and that the current review should be completed before being incorporated in the National Planning Framework. ▪ It is also recommended that The New Zealand Coastal Policy Statement should be reviewed to ensure the implications of policy 11 (Indigenous biological diversity) on the ability to consent offshore wind development is understood. ▪ In summary we recommend that the offshore wind regulatory

	framework is established to work in harmony with, and be supported by, relevant (current and future) consenting frameworks and requirements (within and outside the 12NM zone).
Environmental monitoring	<ul style="list-style-type: none"> ▪ Clarity on environmental baseline monitoring expectations would provide increased certainty to overall project development timetables and improve the quality of studies undertaken.
Target setting	<ul style="list-style-type: none"> ▪ The setting of targets for offshore wind development as part of the National Energy Strategy would further signal the Government's commitment to developing the industry. ▪ The development of an offshore wind industry has great potential to generate significant, enduring benefits for local communities and supply chain participants. To ensure these benefits can be captured, investment will be required in people, plant and equipment. By establishing long term targets for offshore wind, industry will have strong incentives to make these investments and to adapt their business models in order to capture this opportunity and ensure local benefits are maximised for New Zealand communities.

About the NZ Wind Energy Association (NZWEA)

- The NZWEA is an industry association that promotes the development of wind as a reliable, sustainable, clean and commercially viable energy source.
- We aim to fairly represent wind energy to the public, Government and energy sector.
- Our members are involved in the wind energy sector and include electricity generators, wind farm developers, lines companies, turbine manufacturers, consulting organisations and other providers of services to the wind sector.
- By being a member of NZWEA you are assisting the development of wind energy in New Zealand and helping to reduce our greenhouse gas emissions to meet climate change targets.

The Association's strategy focuses on three key areas:

- Leveraging Aotearoa New Zealand's emission reduction imperative to enable the energy transition to renewables, particularly wind energy.
- Optimising wind energy's position and ensure the regulatory environment supports wind farm development.
- Expanding the opportunity for wind energy development to enable community and industrial projects including wind's integration with other technologies.

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