

Annual Conference of the NZ Wind Energy Association

For: Hon Dr Megan Woods, Minister for Energy and Resources

Date:

Time: 8:35 am to 9:00am including audience Q&A's

Length: 10 to 15 minutes

Audiences: Approximately 70 - 80 attendees

Tena Koutou Katoa,

Thank you Grenville for the introduction and thank you to Blair Walter, for the invitation to what is an extremely valuable conference. I'd also like to acknowledge and thank the Association life members present today. It is a privilege to be here to speak to you all today.

The theme for the Conference today is "Breaking New Ground" which reflects both the need to build new wind farms and the opportunity to expand wind generation by supporting the development of community and small-scale wind projects.

This theme and the discussions that will be had today are both extremely timely and important to New Zealand.

Wind energy will play a key role in enabling the transition to a low emissions economy as we shift from fossil fuels and towards renewable electricity.

Some of you might have already heard me talk about my 2019 policy work programme at the March Downstream Conference, and this morning I'd like to provide you with more details, particularly on the role I see for wind energy and renewable electricity more broadly in our transition to a low emission economy.

The goals of this work are simple:

We aim to make the long term transition of our economy towards renewable energy while ensuring that our energy supply remains secure, affordable and sustainable in the years and decades to come.

There are big opportunities for us in getting this transition right.

Not only will renewable energy help us lower carbon emissions, it will help create jobs.

In fact, a number of studies point out that renewable energy sources create more jobs than fossil fuels.

For example, a Pure Advantage report found that with proper investment almost 30,000 jobs could be created in areas such as the geothermal and bioenergy industries. A report from BERL said that developing a bioenergy sector could generate up to 27,000 jobs.

A report by Westpac said New Zealand can save \$30 billion by transitioning to a low carbon economy.

Renewables can also mean lower costs for consumers.

The Transpower report last year was clear that the lowest cost future for New Zealand is one built on renewables.

Lower costs, lower emissions, and more good jobs with good wages.

That's the future we see for New Zealand.

This year we will be developing policies and initiatives that can form a Renewables Strategy for New Zealand.

This strategy will help us to plan a pathway out to 2035 and 2050.

We're looking into the areas where Government action can make the biggest difference - identifying the incentives that may be needed, the roadblocks that need to be removed, and how we can help new technologies come on stream.

We need to ensure that our regulatory and policy settings are fit-for-purpose in order to make the most of our abundant renewable energy sources.

We know that renewable energy is the most cost effective marginal generation, and we're seeing that in the choices being made about new generation.

Recently Mercury Energy announced they will proceed with a 119 mega-watt wind farm at Turitea in the Tararua Ranges.

This is a good indication that investors are seeing that the demand is there for new wind and that wind is now the cheapest energy source we have available to us for new generation.

In the next 30 years we will need to make significant investments in renewable electricity generation to support our transition to a low carbon economy.

To enable this we are currently considering the needs of both existing investors and of new developers that may bring new emerging technology into the New Zealand market.

We want to ensure we are well placed to provide transmission and distribution investment to keep pace with rapid expansion in our renewable electricity generation capacity and the electrification of our process heat and transport sectors.

It is also important for us to that a consistent and timely process for resource consent application, which balances environmental considerations with the national benefits of renewable energy development, exists for both developers and investors.

In this context the issue of wind consents often comes up as an issue for developers. Accordingly, I have asked officials to look at what potential roadblocks to consenting exist and the best mechanisms to address these.

I am also considering the role that small scale or community renewable generation can play and the co-benefits for communities from such investments.

I understand the relative cost of consenting for small scale renewables can be high, as smaller developers lack the resources of the larger players.

We have to get the regulatory settings right to encourage the transition to more affordable and renewable energy. I have asked officials to report to me on what policy options or changes may be needed.

Any options that we favour will require public consultation later this year and, if adopted, will feed into our Renewable Energy Strategy.

If legislative changes are required from this work, then we will work towards introducing legislation in 2020.

I remain concerned about ensuring that our electricity supply is affordable and fairly priced.

This is why I set up the Electricity Price Review.

The panel was asked to investigate whether today's electricity market is delivering a fair and equitable price to Kiwi consumers.

I also encouraged the review to look at possible improvements to ensure the market remains fit-for-purpose in the future enabling the sector to benefit from rapidly changing technology.

The Electricity Price Review's first report was released for discussion in September last year, with an options paper following in February this year.

One of the findings was that increased demand for electricity will not necessarily lead to big price rises as emerging technologies have the potential to soak up extra demand and contain price rises.

As the lowest cost option for new build electricity generation in New Zealand is wind and geothermal, we do not expect long term power prices to increase significantly in a low emissions future when more wind and geothermal enters the system.

We have now received submissions on the Electricity Price Review's options paper which was released in February.

I look forward to receiving the final recommendations of the panel at the end of May.

We are also developing a strategy on Green Hydrogen to identify and seize on the opportunities that exist for New Zealand in this space.

We plan to publish a green paper on this in the first half of the year. We have engaged the services of Arup, a multinational professional services firm, to assist with this work.

We know there is real potential in this emerging technology.

Last year I signed the Memorandum of Co-operation with Japan, where there is a huge appetite to support a New Zealand- based hydrogen export industry.

The technology is developing fast and New Zealand cannot fall behind.

Last year I visited Norway where I met with representatives of a company who claimed that the cost of their electrolysers, for producing green hydrogen, will be competitive with the alternative non-renewable generation method using steam methane reformers by 2020.

Combine that with cheap renewable electricity such as wind, and we can see that there are real opportunities for New Zealand here.

One of the virtues of hydrogen is that once created, it can be stored through a variety of means for much longer periods than

current battery technology; potentially across months and seasons as compared to days for battery storage.

Coupled with cheaper wind, this may open up some interesting opportunities in the future, especially at the community level.

The key for me is to ensure that we keep abreast of developments in this space and remain poised to seize on opportunities as they arise.

Process heat is also an area where we see significant opportunities to reduce greenhouse gas emissions. The process heat sector accounts for 27% of all energy related emissions and 34% of our energy consumption in New Zealand.

This is an area where the Government sees increasing opportunities and a growing will from business to take action on process heat emissions.

In addition to our strategic work, there are tactical interventions that the Government can make to support emerging technologies and renewable energy.

The R&D tax incentive kicked off on April 1. We had great engagement on developing phase one of the R&D tax incentive.

This year we'll be rolling out our plans for how we treat pre-profit and loss making companies, tax exempt organisations, and consider future options for our tax loss cash out scheme.

We are also backing new technologies through the Low Emissions Vehicle Contestable Fund. We're using it to trial new technologies as proof of concept.

We've seen hydrogen projects at the Ports of Auckland, smart batteries and EV charging with Vector in Auckland and electric heavy transport technologies, like Fonterra's electric milk truck.

Further, the Provincial Growth Fund is investing in new energy projects including \$1 million hydrogen project for Taranaki. This year we will also see the first projects rolled out under Green Finance limited initiative.

Our work programme this year is comprehensive. It's about setting that detailed strategic work about how we move to into an energy future that's built on greater renewables while ensuring affordability and security. It covers:

- Getting the high level settings of policy and regulation right to move us in that direction.
- Making sure consumers get a fair deal and the electricity market is structured right for that future.
- Looking for opportunities to reduce emissions in the wider energy space.

- Backing the new technologies to help us get there.
- Planning to support our workers and communities through this change with proactive regional development.

This should give you a sense of our work programme for this year, and where we are focussing our energies. I see wind energy playing a key role today and in the future energy system we are working hard to build.

As I mentioned earlier, once we have developed the policy and regulatory options to help promote renewables, I will seek your feedback through consultation. It is through working together that we can ensure the regulations and policies that shape our energy system will be fit and proper to guide us towards New Zealand's net zero carbon future.

I look forward to working with all of you to make it happen.

Thank you.