NZWEA: The year in review - 2016

The year (2015) started with the wind industry in the doldrums. But at the conference in April 2015 a presentation about the amount of generation that had been built versus the amount of generation that had been decommissioned raised some eyebrows. The data said it all. About as much generation had been retired as had been built over the last few years.

So the 2015 conference was actually reasonably upbeat about the prospect of more wind being built. And there was that big climate change conference coming up at the end of the year – the Paris conference.

And then in third quarter of 2015 two announcements shocked the industry. The first from Genesis that Huntly would close at the end of 2018 (subsequently revised to 2022), taking some 500MW off the system. Some commented that would rebalance the system. But remember, we heard at the 2015 conference that new generation was roughly similar to retirements.

The second announcement stunned the industry. Contact Energy announced that it would close Otahuhu B, taking some 400MW off the system. Within 6 weeks Otahuhu B was closed.

Within a few weeks the over supply of electricity had evaporated. The industry was talking of shortages and some were talking darkly about possible government intervention. And therein lies a problem with thermal generation. When it comes off the system it does so in big chunks.

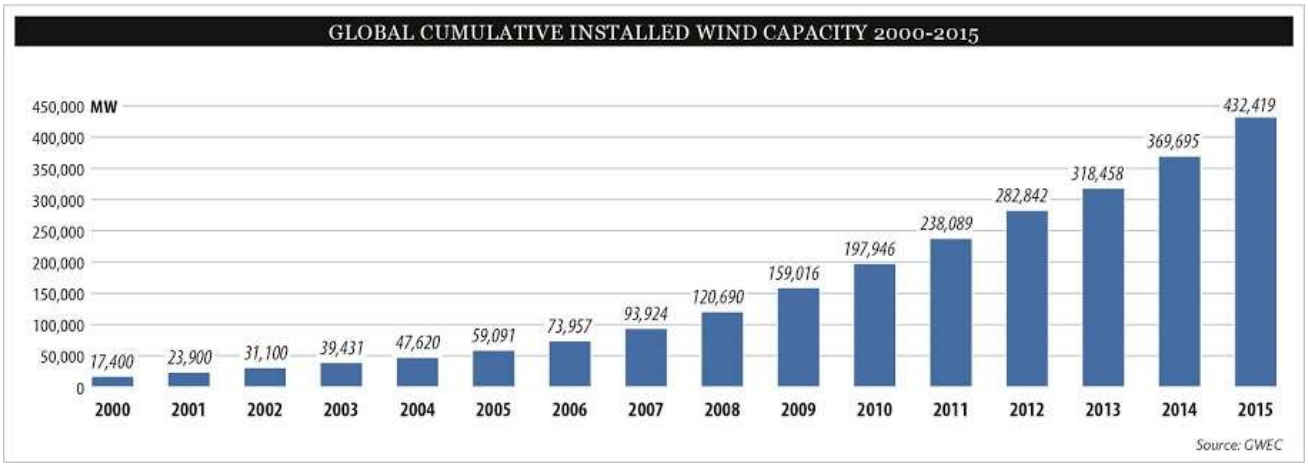
At the NZWEA AGM in November 2015 Greg Sise from Energylink outlined his views on the electricity supply-demand balance. In his view some new generation needed to be built and fairly urgently. Otherwise the government would be tempted to intervene.

And then there was Paris in December 2015. The climate change agreement negotiated at Paris was generally agreed to be historic – countries agreed to reach zero carbon emissions by 2050. The climate change goal was lowered from 2 degrees warming to 1.5.

The New Zealand government recently announced that it will strengthen the Emissions Trading Scheme. Now carbon is trading at around $13/tonne. A carbon price will impact on thermal generation.

So the future for renewables in New Zealand and globally looks very good.

What happened globally in 2015? It was the best year yet for wind generation, with 63 GW of new wind installed – some six times all the generation in New Zealand. The previous “best” years have been 2014, 2013 etc. Globally the wind industry is now the #1 form of new generation.



In a number of countries wind is now the cheapest form of new generation. In an auction in Morocco, for example, wind generation came in cheaper than coal generation even if the coal was free! In 2015 the notion that wind is expensive and only works with subsidies was well and truly smashed.

The 2016 NZWEA conference was upbeat about the prospect of building new windfarms. The conference heard, however, that uncertainty about the aluminium smelter is an issue.

NZWEA has a target of 20% wind generation by 2030. Is this still relevant? I suspect it is, particularly as New Zealand, like the rest of the world signed up to a 100% renewable electricity system in Paris. New Zealand is at 75-80% renewable generation currently. Wind is now the most cost-effective from of new generation. Solar will be part of the future at maybe 5% of generation. Only limited geothermal development may proceed in the future as development is mostly in greenfield areas and therefore has a higher risk factor and cost profile than previous geothermal development.

So what has NZWEA been up to over the past year?

There has been a range of activities. The RMA has kept NZWEA busy with local government continuing to develop plans that could affect wind generation. For example, the Palmerston North City Council's draft plan could have significantly impacted on repowering plans, potentially making repowering a non-compliant activity, which is not good. The industry worked together to present submissions to the Palmerston North City Council.

The Electricity Authority has also been busy, with proposals for fault ride-through targeting wind, further work on transmission pricing etc. NZWEA made submissions on fault ride through and gate closure. These are technical and detailed areas but it is important that NZWEA is representing an industry view on these issues.

The government has been considering climate change policy. NZWEA submitted on changes to the Emissions Trading Scheme which to date has been a miserable flop. The energy industry associations are working together on developing a low carbon plan for New Zealand and NZWEA has been a catalyst for this initiative.

And then there is all the usual work in running an industry association, from maintaining links with politicians and running the annual conference to working on the annual audit. And of course the Health and Safety initiative has continued with strong support from a number of companies. The wind industry is well placed in relation to the new legislation.

This is my last “year in review”. I have taken on a role at the Walking Access Commission as CEO. I have greatly enjoyed working for NZWEA and working with all of you in the industry. It has been a challenging time for the industry but I believe the future is bright.

Finally, It is my great pleasure to welcome Grenville Gaskell as CEO of the NZ Wind Energy Association. Grenville has a background in the energy industry, the finance sector and Crown organisations. He was CEO of Public Trust from 2007 to 2012. In terms of energy Grenville worked for Meridian Energy for a five and a half year period where he held the positions of firstly Director Retail and then Director New Zealand Operations. He has experience in asset management, production, trading and retail activities including operational responsibility for wind farms. Prior to joining Meridian, Grenville spent 12 years in the finance sector. He is experienced in strategic and business planning, programme governance and the management of regulatory activities and is passionate about wind energy.

Looking back at the history of NZWEA my time as CEO is about the average length. In nearly 20 years there have been 4 CEOs and all have served for around 5 years.

Good luck for the future. I wish you all well and I have greatly enjoyed working with you.

Kindest Regards,

Eric Pyle