



Submission of FIRST Union

To

Transpower, Northpower and Top Energy

Regarding the

**Renewable Energy Zones
*Northland Pilot Concept***

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1. Introduction

- 1.1 FIRST Union (hereinafter 'FIRST' or 'the union') is a private sector trade union representing almost thirty thousand workers across the retail, finance, commercial, transport, logistics and manufacturing sectors.
- 1.2 Our union has deep connections to Taitokerau and the energy sector. We have more than 1,000 members across the region in a range of industries. We are also represented through the Taitokerau Regional Skills Leadership Group, focusing on skills and workforce development. We have membership in the energy sector, including the workers at the Marsden Point oil refinery (many of whom are now in the process of losing their jobs), workers involved in petroleum testing and tanker truck drivers. We also have membership in energy and climate-relevant sectors like the wood and forestry sector and the waste sector.
- 1.3 We support the need for a just transition from Taitokerau's fossil energy past to Taitokerau's renewable energy future. We are enthused to see the concept of a Renewable Energy Zone being proposed, and that Taitokerau is being mooted as one of the target regions.¹ Our members, their families and their communities have faced harsh economic restructuring processes in the past without adequate social support, and a sometimes hostile approach from Government and the private sector. Our objective in engaging with this submission process is to ensure that workers' interests are safeguarded through the proposal's development and that decent work sits alongside other objectives like – regional economic development, energy security and climate action – as touchstones for this work.

2 Addressing the Taitokerau decent work deficit

- 2.1 Taitokerau has a decent work deficit. It is often seen as a great place to raise a family or retire, however labour economists mention the region's relatively high "dependency ratio", that is, the number of people outside the working age as a proportion of the population – 65% versus a national average of 50%.² The disproportionate number of younger and older people is because people in the prime of their working life often leave the region in search of decent work, heading to the more lucrative Auckland market in search of better jobs. The result of this is that Taitokerau has the lowest GDP per capita of any region in the country,³ meaning it also has some of the lowest consumption and living standards in the country.

¹ Transpower, Northpower and Top Energy "Renewable Energy Zones: Northland Pilot Project" (2022). Available at:

https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/REZ_Northland%20Pilot_2022_FI_NAL.pdf

² Ministry of Business, Innovation and Employment "Tai Tokerau Regional Labour Market Overview" (29 September 2021). Available at: <https://www.mbie.govt.nz/dmsdocument/17919-tai-tokerau-regional-labour-market-overview>

³ Stats NZ "Regional gross domestic product: Year ended March 2020" (25 March 2021). Available at: <https://www.stats.govt.nz/information-releases/regional-gross-domestic-product-year-ended-march-2020>

- 2.2 A key facet of this is the failure of the region to attract investments in production and manufacturing. These are the sectors on which a prosperous middle class have historically been based, and can deliver meaningful improvements in living standards for working families. While there are valuable exceptions to this, including in the construction and building materials supply chains (including wood processing and cement manufacturing), the region remains underserved by manufacturing investment capital.
- 2.3 The loss of employment at Marsden Point represents a major blow in this regard. This site has been a fully unionised site for more than five decades, and employs hundreds of workers. It is a “high wage, high productivity” workplace, and has supported thousands of families, both directly (through employment) and indirectly (through consumer spending, income and corporate tax). Refining NZ is responsible for around 8% of the GDP of the region, and therefore the impact of this closure could be as much as \$3,400 per capita. The refinery alone accounts for half of all manufacturing activity in the region.
- 2.4 We believe that aligning incentives towards investment in a nascent Taitokerau renewable industry would be good for the purpose of job creation and workforce training. Recent research published by the World Resources Institute with support from the International Trade Union Confederation suggested that “\$1 million in green investment often creates more near-term jobs than an equivalent amount of unsustainable investments, and sometimes significantly more”. According to that research, installing solar photovoltaic energy and upgrading the existing electricity grid create 1.5 times as many jobs as investments in fossil fuels, while wind and hydro create 1.2 times as many jobs.⁴ Given that new solar and wind projects are now cheaper than new fossil energy projects,⁵ it seems a good entry point for investments in our communities and regional economic development. The challenge of course remains to ensure that those are good quality jobs that enable workers and their communities to thrive.
- 2.5 The proposal suggests that over 30 current enquiries to Transpower, Northpower and Top Energy – largely made up of wind and solar developments – together make up more than 2GW of potential new generation. It also suggests that the current connections South wards are significantly underused and could sustain capacity of up to 900MW, enough power to support 160,000 Auckland households. This could generate significant revenue for the Taitokerau region.
- 2.6 Given the nature of most renewable energy generation, investment would likely contribute to job creation of more remote regions within the Taitokerau rohe, that otherwise experience a degree of deprivation. Many of these regions are also profoundly affected by energy poverty. Decent job creation in these communities is

⁴ World Resources Institute “The Green Jobs Advantage: How Climate friendly Investment Are Better Job Creators” (18 October 2021). Available at: <https://www.wri.org/research/green-jobs-advantage-how-climate-friendly-investments-are-better-job-creators>

⁵ Jillian Ambrose “Most new wind and solar projects will be cheaper than coal, report finds” *The Guardian* (23 June 2021). Available at: https://www.theguardian.com/environment/2021/jun/23/most-new-wind-solar-projects-cheaper-than-coal-report?CMP=tw_t_a-environment_b-gdneco

extremely valuable for addressing the demand-side of energy poverty while generation investments address energy security (i.e. the supply-side).

- 2.7 At the same time, the capacity for rooftop solar generation, as well as network improvements and expansion, means there would be ongoing potential for employment in built-up regions like Whangarei, Kerikeri, Ruakaka and others.

3 The role of the state

- 3.1 The approach outlined in the proposal document suggests that “it is generally more cost effective to first enhance or upgrade existing assets within the distribution and transmission networks”, including by duplexing existing lines. This approach suggests that the role of the state would be primarily in procuring services to deliver enabling infrastructure. That enabling infrastructure would then enable other market participants to procure services and deliver generating assets. It is our position that a broader role for the state is likely necessary through the development of the REZ.
- 3.2 While we agree that this is crucial work, given the state is the majority shareholder in our major power companies (and the sole shareholder of Transpower) we think it is imprudent to constrain the state’s role to just creating an enabling environment. We think there is a valid argument for the state to – at the very least – take an equity stake on particular generation projects to safeguard local economic development, decent job creation and energy security.
- 3.3 This is particularly the case with the first REZ projects, as we believe this is an important step to secure the confidence of private sector investment. It is worth noting that while there is already significant capacity to export electricity, none of the proposed generation projects have proceeded so far. The report mentions the problem of “First Mover Disadvantage” (i.e. having to pay for the entire upgrade themselves while others may benefit), and in the case of Taitokerau is likely severe. State equity shares in these potential investments shares the risk as well as the reward, building confidence for future private sector investments. State investment in the sector also makes it easier to address issues like energy security, energy poverty and decent job creation by redirecting dividends into addressing social deficits.
- 3.4 In addition, we also think there is a role for the state to play in developing the infrastructure itself. FIRST Union has promoted the establishment of the Ministry of Green Works⁶ to address our national housing and infrastructure deficits. Involving such a Ministry in the planning and delivery of national energy infrastructure would reduce costs, allowing greater investments in decent job creation, addressing energy poverty or other network-related improvements. It would also contribute to workforce development and state capacity, ensuring that investments in expanding the network also result in skills development.

⁶ Max Harris and Jacqueline Paul “A Ministry of Green Works for Aotearoa: An Ambitious Approach to Housing, Infrastructure and Climate Change” *FIRST Union* (October 2021).
https://mcusercontent.com/d0c5542325e2a9c7c28f45e48/files/434e65d4-c6b5-a31b-8b00-75634aebe01b/Ministry_of_Green_Report_2converted_compressed.pdf

4. Conclusion: A just transition for Taitokerau

- 4.1 For the last five years, the NZ Government has embraced the concept of a “just transition” for workers and regions that are facing major economic and labour market shocks due to the closure of a major industry.⁷ It has implemented work to this effect in Taranaki alongside the phased closure of the oil and gas extractive industries, and in Southland alongside the proposed closure of the Tiwai Point smelter.
- 4.2 FIRST Union sees this proposal as being part of a Just Transition response to the closure of the Marsden Point Oil Refinery. We support the project on this basis and emphasise the need to even look beyond this project to ensure that the needs of Taitokerau, its iwi and workers are addressed as a result of the refinery closure.

⁷ See Ministry of Business, Innovation and Employment “Just Transition”. Available at: <https://www.mbie.govt.nz/business-and-employment/economic-development/just-transition/>