



TRANSPOWER

Keeping the energy flowing

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Environment Select Committee
Parliament Buildings
Wellington

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Climate Change Response (Zero Carbon) Amendment Bill

We welcome the opportunity to submit on the Climate Change Response (Zero Carbon) Amendment Bill (the Zero Carbon Bill). We appreciate the chance to further shape the Bill during its passage through Parliament. Transpower wishes to be heard in oral submissions.

Our submission first outlines our view of the transition ahead to a net zero carbon economy and then discusses four aspects of the Bill in turn – zero carbon targets, the Climate Change Commission (CCC) and functions, emissions budgets, and adapting to the impacts of climate change.

Energy sector's role in supporting the transition

The Ministry for the Environment (MfE) has previously stated the energy sector “will play a huge role in the transition”¹ with such role including the decarbonisation of the economy supported by renewable electrification. As owner of National Grid infrastructure and the operator of the electricity system in real time, our 2018 publication, [Te Mauri Hiko – Energy Futures](#), highlighted opportunities and challenges and started the conversation towards enabling a sustainable energy future for New Zealand. Increasingly there has been agreement around the trajectory of the future envisaged in Te Mauri Hiko. We have added to this conversation with our later publication [The Sun Rises on a Solar Energy Future](#), which is shortly to be followed by “Taking the Climate Heat out of Process Heat”. These publications focus on the role of solar, and electrification of process heat, in supporting the transition to a low-carbon energy future.

We support the Zero Carbon Bill to drive New Zealand's global commitment under the Paris Agreement and to create certainty for investment towards a low emissions electricity system.

The energy transformation New Zealand needs will be possible through an investment environment that is sufficiently attractive for utility investors and for consumer-led investment by households and small businesses. An electrification transformation will require government and industry leadership including to drive new opportunities for employment and training.

¹ Page 52 of MfE's discussion document “Our Climate Your Say”.

We consider the Zero Carbon Bill, when passed, will accelerate the transition to a lower-carbon electricity economy. Transpower is well-placed to support that transition. Changes to levels of renewable generation and potential electrification of transportation and process heat will bring about challenges for when, where, and what demand or generation will arise. We are working with industry and Government to consider how best to ensure we have sufficient transmission capacity available where and when it is needed.

The Net Zero emissions target

We agree with the inclusion of the net zero target for 2050 in Zero Carbon Bill. We consider this creates certainty, providing a long-term and stable policy environment, with a clear emissions target and (on the subsequent release of the emissions budgets) a guided pathway to get us there.

We support the provision in the Zero Carbon Bill for the target to be changed in the exceptional circumstances specified in clauses 5Q(2). We consider the process to be followed² in proposing a change to the target is appropriate, given the purpose of the target in providing a certain long-term and stable policy environment.

We support the splitting of the 2050 target between long-lived (mostly carbon dioxide (CO₂)) and short-lived (mostly biogenic methane (CH₄)) emissions with the purpose of seeking to reduce CO₂ and stabilise CH₄.

Climate Change Commission and functions

Overall, we support the establishment of an independent CCC, along with its proposed advisory and monitoring role and responsibilities.

We agree with the Government's proposal for the CCC members to cover the range of essential and desirable expertise specified in clause 5H of the Zero Carbon Bill. We consider appointments need to include a mix of economic, industrial, commercial, academic and policy representatives, who are independent or capable of acting independently. Given the importance of electricity to enabling New Zealand's transition to a lower-carbon economy, and the complexity of the electricity sector, we encourage the appointment of a representative with knowledge of the electricity and wider energy sectors.

Emissions budgets

Transpower supports the inclusion of emissions budgets across 15 years with three intermediary periods of five years. We consider a five-yearly cycle will ensure budgets apply across political cycle boundaries and are relevant concerns for all governing parties.

We support the requirement for the Commission to consider the range of matters under clause 5L(3) of the Carbon Zero Bill (alongside the matters set out in clause

² In clause 5R of the Zero Carbon Bill

³ Clause 5L: Matters Commission must consider...(a) current available scientific knowledge; and (b) technology that could be efficiently adopted and the likelihood of any advantages arising from early adoption of the technology; and (c) the likely economic effects; and (d) social, cultural, environmental, and ecological circumstances, including differences between sectors and regions; and

5Z) when performing its functions and duties and exercising its powers when setting the emissions budgets. Because New Zealand's hydro-dominated electricity system creates dry year risk we urge that the climate change goals for the energy sector, reflected in any emissions budget, must accommodate supply security along with renewable targets, to support cost-effective economic activity. Although these critical issues could broadly be captured by the high-level matters to be considered when establishing the emissions budgets, there is no prescribed requirement to do so. It demonstrates the importance of having a member of the CCC with electricity sector knowledge to ensure such key matters are considered – this is critical for enabling the transition the Zero Carbon Bill is seeking with the proposed 2050 net zero targets.

We support the obligation for the Government to respond to the emissions budgets with a published plan setting out the policies and strategies for meeting an emissions budget. However, we are concerned not all Ministers in setting policy are required to ensure such policy is consistent with the targets, budget and plans arising under the Zero Carbon Bill, once passed.

We appreciate judicial review may be available to challenge such a Minister's decision, but consider the burden of having to bring a judicial review process and the cost to the taxpayers of New Zealand if one had to do so could rightly be avoided should the Zero Carbon Bill simply require all Minister's to have regard to the Zero Carbon Bill targets, budgets and plans when determining Government policy. One would question how justifiable it would be to expect industry, businesses and consumers to respond to those targets, budgets and plans if there is no requirement for the Ministers in the then Government to do so.

As with the 2050 target, we support the provision for changes to the emissions budgets in "exceptional circumstances". We consider the third emissions budget should be reviewable only when the subsequent budget is being set, to maintain investor confidence that regulatory settings are contiguous and won't suffer from policy disjoints. For any justifiable change to the second budget the circumstances would need to be more exceptional, almost a "force majeure" type rationale.

Adapting to the impacts of climate change

We support the Government's objective for understanding New Zealand's climate change risk and adaptation readiness giving rise to the obligation in the Zero Carbon Bill for the preparation of the National Risk Assessment (NRA) and in turn a National Adaptation Plan (NAP).

The clauses set out in Part 1C of the Zero Carbon Bill provide high level guidance on the purpose of the NRA and NAP, and the matters to be considered when preparing the NRA and NAP, but do not provide sufficient detail as to the breadth or depth of the information that would likely be requested from us under the disclosure regulations provided for in the Zero Carbon Bill. As such, we are unable to assess our capacity to immediately provide requisite information. We have some concern about the detail that would be sought, for example, whether the Government will specify the climate change scenarios against which entities should be assessing their risk and specifying any adaptation plans for, and the associated administrative and compliance work and costs we would incur to contribute to this process.

(e) the distribution of benefits, costs, and risks between generations; and (f) responses to climate change taken or planned by parties to the Paris Agreement or to the Convention.

In 2018, the Climate Change Adaptation Technical Working Group⁴ concluded that:
“... (our) recommendations for effective adaptation are about having a clear, planned approach to action on climate change adaptation. Our stocktake identified that New Zealand currently has no coordinated plan to adapt to climate change”.

From discussions with Government officials we understand the intent is for the NRA and NAP to have a similar level of focus as that arising under similar legislation in the United Kingdom. This provides useful precedent.

We consider effective adaptation is about how public bodies and utilities take climate change risks into account in long-term planning. As owner of the National Grid, durability and resilience for the long term are critical. We design and construct the Grid to withstand flooding, significant snow and storm events (all more likely under climate change), and a 1:2,500-year earthquake.

We consider it prudent the NRA and NAP are based on the assessment and plans of public bodies and utilities and against the key regionalised assumptions or parameters of the future climate change scenario(s). This would be critical to ensure the NRA and NAP (collated from the disclosures sought) are based on assessing and adapting to common assumed risks (specific to regions).

We consider the new disclosure obligations should, to the extent possible, be consistent with internationally accepted frameworks for climate change risk reporting – such as the FSB Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. Using existing mechanisms and internationally accepted frameworks would be a lower-cost way to derive the information sought. Government should be mindful there is a need for continuing maturity in assessing the risk of the impact of climate change, and the resulting need for adaptation, and appreciate disclosure responses will reflect this.

Transpower New Zealand

Finally, Transpower New Zealand is committed to playing our part to tackle climate change and help New Zealand transition to a low emissions economy.

We are part of the Climate Leaders Coalition in New Zealand – standing publicly with many other businesses to declare and report on our mission to reduce emissions in New Zealand. We are actively seeking to reduce our own greenhouse gas emissions across all areas of our own emissions inventory, and we are working hard to ensure we enable the transition to a low emissions electricity future.

We consider the Zero Carbon Bill will be vital to support New Zealand's commitment to the international community. We look forward to the Bill's progress through Parliament.

Yours sincerely,



Alison Andrew
Chief Executive Officer

⁴ May 2018 report “[Adapting to Climate Change in New Zealand](#)”

