

# Submission | Draft New Zealand Energy Strategy and the Draft New Zealand Energy Efficiency and Conservation Strategy

**2 September 2010**

Draft Energy Strategies  
Ministry of Economic Development  
PO Box 1473  
Wellington

To whom it may concern,

Please find attached the Sustainable Future Institute's submission on the above energy strategies. The Institute opposes both the Draft New Zealand Energy Strategy and the Draft New Zealand Energy Efficiency and Conservation Strategy on the following grounds. Both strategies fail to provide:

- a) well defined objectives,
- b) substantive goals,
- c) measurable indicators against stated objectives and goals to assess progress and;
- d) an explanation as to how and why those indicators are expected to change over time.

Please find attached our submission. The Institute also wishes to appear before the committee to speak to this submission. Our contact details are provided below.

Kind regards,

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Chief Executive

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Research Analyst

## **About Sustainable Future Institute**

The Sustainable Future Institute, founded in 2004, is an independent think tank specialising in research and policy analysis. Our purpose is to produce timely, complete and well-researched information focused on New Zealand's long-term future.

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## **Part One: General Comments**

### **One strategy – one overall Government approach**

The Sustainable Future Institute believes that 'one overarching strategy' should be developed for this country, to provide a national direction, align best practice, drive innovation and maximise outcomes. Smaller sub-strategies (such as these two energy strategies) should then be developed to align with the overarching strategy. It is disappointing to see the development of sector-based strategies without an overarching strategy or without a desire to build linkages across sector-strategies.

### **Concerns**

Importantly, there are two overarching concerns. Firstly, we have concerns over a lack of process in terms of the way both strategies focus primarily on economic gains, which by inference implies only the economic impacts will be assessed. We are a strong advocate of an environmental impact assessment, sitting alongside any economic impact assessment. Analysts should look closely at the outcomes in terms of benefits to New Zealand in the long term. Secondly we have concerns about the strategies in terms of delivery. These lead us to the following suggestions.

### **Suggestions**

- The preparation of an 'annual stocktake report of all strategies' currently being carried out by central government.
- The responsible 'government agency prepares a detailed public report on the strategy's progress', stating the extent indicators have changed over time. Regular reporting against strategies is necessary so that progress can be monitored and assessed by all New Zealanders. We believe the timeframes for these reviews should be included in the strategies.
- Independently verifiable 'report on New Zealand's energy production and efficiency' over time should be regularly reported in the public arena. Such a practice is aimed to prevent possible conflicts of interest occurring. Further, information collectors and information users must be different organisations, so that decisions made are of the highest standard, and decision makers can be easily called to account.

The Institute has also provided a more detailed list of concerns under the four headings of benefits, risks, costs and information, process and decision making.

### **A: Benefits**

We believe the benefits of pursuing fossil fuel development have not been sufficiently identified, quantified or explored over substantial time frames.

- Economic profits and who they will benefit have not been adequately stated. Questions surrounding whether profits will stay in New Zealand or be accrued to overseas investors need to be addressed. Benefits should be assessed over longer timeframes to ensure decisions are being made with future generations in mind. We suggest 25 years as a minimum.
- Noneconomic benefits to our country also need to be assessed and given due weight.

## **B: Risks**

Economic, environmental, social and cultural risks have been inadequately assessed and insufficiently understood to ensure a robust decision on the energy strategies which are both issues of high national importance. Limitations and controls to manage any risks for both current and future New Zealanders have not been explored.

## **C: Costs**

The costs of pollution and potential drops of revenue in other areas such as tourism have not been identified and valued. The cost to the integrity of New Zealand's 100% Pure image and our ability to claim a premium on the marketing of our exported products and services has not been assessed. Long-term costs associated with mineral extraction, fossil fuel production, pollution and amenity value of the impacted environment have not been quantified.

## **D: Information, Process and Decision Making**

Questions around conflicts of interest, independence of information providers and the quality and the purpose of the information provided, needs to be openly addressed to ensure stakeholders are accurately informed, as well as to encourage engagement and satisfaction in the standard of public consultation and resulting decisions.

## **Part Two: Responses to Specified Questions**

### **A: *New Zealand Energy Strategy***

#### **1. Does the proposed NZES effectively promote and support the appropriate development and use of energy resources? If not, what changes do you propose?**

Based on the limited depth of information provided in the NZES, the Institute considers the proposed strategy to be heavily focused on fossil fuel development with a short term focus of business as usual growth and development. For example, the strategy proposes 'full utilisation' of New Zealand's petroleum resources, sending an international message that New Zealand is committed to continued fossil fuel development. The Institute proposes:

- Objectives should be more clearly defined with measurable indicators and that corresponding programmes are detailed to achieve those objectives.
- Linkages between cause and effect, in regard to costs, benefits and risks should be more explicit. For example, the highly profitable Bluff aluminum smelter and Meridian Energy signed the country's biggest power contract, in a secret deal thought to be worth more than \$5 billion over almost 20 years. The previous year, the Companies Office reported the smelter company Rio Tinto Aluminum New Zealand made a \$277 million profit.<sup>1</sup>
- The strategy should take into account international efforts in reduce GHG emissions and the transition to renewable energy. This strategy has the opportunity to be proactive in promoting New Zealand's attempts to achieve this transition.
- If Government wishes to pursue investment in fossil fuel production (such as at Huntly power station), it must equally invest in developing technologies that minimise resulting pollution and GHG emissions.

#### **2. What barriers to investment in energy resources are not addressed?**

Although the draft NZES does mention some barriers to investment, it does not list them all, nor does it explicitly explore how those barriers could be addressed. We believe a complete and transparent assessment of all current barriers to investment in energy resources needs to be undertaken before those barriers can be meaningfully considered and then addressed. Policy aimed at addressing barriers needs reliable quantitative information before it can successfully be used to create a strategy.

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<sup>1</sup> See <http://www.stuff.co.nz/business/31457>

**3. Do you have any comments on the proposed goal, priorities and 12 areas of focus? What would you change, and why?**

The strategy states 'The Government's goal is for the energy sector to maximize its contribution to economic growth'. The Institute asserts that an alternative overarching goal of; the development of renewable energy sources; would be a sustainable, long term and desirable goal for the Energy Strategy and New Zealand. The strategy's aim of 'best practice in environmental management' is desirable however the document fails to define 'best practice'. Whilst the NZES 'recognises' the environment, many of the proposals within the strategy are in opposition to environmental sustainability.

Further detail is required:

- Proposals for specific programmes, including funding of such, need to be detailed within the strategy to achieve this goal.
- A detailed cost/benefit analysis of all alternative energy production options needs to be undertaken rather than the current 'information providing' approach of the strategy.
- Codes, standards and regulatory frameworks that will impact on the strategy's objectives need to be detailed

**4. Where the draft NZES proposes the Government will support or encourage industry activity, how do you consider the Government can best provide this support or encouragement?**

Support and encouragement will be achieved through a detailed strategy which includes measurable indicators, timeframes and means to reach objectives.

**5. Do you have other comments?**

Please refer to further comments in section 5 below.

**B: New Zealand Energy Efficiency and Conservation Strategy**

**1. Does the draft NZEECS clearly explain the Government's policy and priorities for promoting energy efficiency, energy conservation and renewable energy over the next five years? What do you consider are the priorities?**

The draft NZEECS does not clearly explain the Government's policy and priorities for promoting energy efficiency, energy conservation and renewable energy. Although the draft strategy states sector objectives and targets, it does not explain how these will be achieved. In our view, comprehensive policies and priorities must be stated beyond simply providing information to encourage businesses to adopt energy efficiency practices.

**2. For each sector, are the objectives, targets, rationale and policy outlined in the draft appropriate? What changes do you propose?**

The Institute is unable to comment on the adequacy of the objectives, targets, rationale and policy outlined in the NZEECS as measurable indicators, timeframes are not stated. This is because the processes or methods to reach these objectives and targets are not included within the strategy. Hence we suggest more information about cause and effect is critical in order to have confidence that the best strategy has been developed.

**3. What should the Government do to deliver the NZEECS? In many cases the draft suggests the Government will 'support' or 'encourage' other parties to make changes. How do you consider this support or encouragement is best provided?**

Support and encouragement will be achieved through a detailed strategy which includes measurable indicators, timeframes and means to reach objectives.

**4. Where should the private sector, such as firms or industry associations, take the lead?**

In order for the private sector to take any lead in energy efficiency initiatives other than those which are influenced by the market the Government first needs to clearly define its policies through codes, standards and fully funded programmes.

## 5. Do you have other comments?

The Institute believes an overarching, strategic planning framework is critically important to ensure public good objectives are achieved in an effective and timely manner. In our [Report 2](#) (PDF, 1.13MB) – *New Zealand Central Government Strategies: Reviewing the Landscape 1990-2007*, we found that between 1990 and 2007, over 130 strategies have been published by central government ministries and departments. Of these strategies, 80 had ministerial sign-off, which we have classified as major strategies. The remaining 50 are classified as minor strategies. Table 1 outlines the key research findings and the five key recommendations.

**Table 1: Research findings**

Question	Findings (more detail is provided in Section 6)
1) Did a National-led or Labour-led Government release the strategy?	The National Government signed off on 12 (15%) strategies (an average of 1.3 per year in power) [and ] The Labour Government signed off on 68 (85%) (an average of 9.1 per year in power)
2) Was the strategy written into legislation?	10 (13%) were generated under the auspices of legislation; 70 (87%) were not
3) How was each strategy signed off by the minister(s)?	A wide range of sign-off mechanisms were employed, from a minister's foreword (the most common), to letters, prefaces and messages
4) Were start and finish dates published in the strategy?	36 (45%) strategies stated in the initial published document a start and finish date; 44 (55%) did not
5) (a) Is the strategy still current? Or, on what date was it made obsolete?  (b) If obsolete, has the strategy been replaced?	65 (81%) are current; 15 (19 %) are obsolete  Of the 15 obsolete, 12 were replaced by more up-to-date strategies
6) Has a review of the strategy been published?	19 (23%) were reviewed; 10 (13%) were considered too recent to be reviewed; 51 (64%) were not reviewed
7) What is the length of each strategy (including appendices)?	13 (16%) were under 19 pages; 27 (33%) were 20–39 pages; 19 (24%) were 40–59 pages; 21 (27%) of strategies were over 60 pages in length
8) Does the strategy state specific timeframes for achieving broad goals?	40 (50%) stated broad goals with relevant timeframes; 40 (50%) did not
9) Does the strategy state specific targets to measure progress?	19 (24%) stated specific targets to measure progress; 61 (76%) did not
10) Were strategies easy to access?	No comprehensive list of strategies was available. With the assistance of staff in ministries and departments, 66 (83%) of the 80 major strategies were found on-line in PDF format and 14 (17%) were not

Question	Findings (more detail is provided in Section 6)
11) To what extent were strategies internally integrated (i.e. with other strategies) and externally integrated (i.e. with other policy instruments)?	Horizontal integration between strategies of comparable importance was found to be poor; Vertical integration between higher- and lower-level strategies was found to be poor; Integration between other public policy instruments was mixed (see Table 4)
12) Was there any duplication of purpose among major strategies?	Duplication among strategies was difficult to determine, as both the targets (see finding to question 9) and integration between strategies were often not clearly stated (see findings of question 11)
13) Were there any gaps in the landscape?	A number of gaps were identified as a result of this research and are listed in this paper
14) Were there areas of potential conflict between strategies?	Conflicts and tensions did occur between strategies. However, as both the targets (see finding to question 9) and integration between strategies were often not clearly stated (see findings of question 11), this was difficult to determine

The key finding of this research confirms that no overarching, strategic planning framework currently exists in central government. Consequently, the major recommendations are outlined below. These recommendations do not intend to increase the size of government bureaucracy but rather to ensure resources are being used in the most efficient and effective manner possible.

**Recommendation 1:** Develop a ‘process’ for selecting, developing, approving, implementing, updating, monitoring and reviewing an overarching strategy. We refer to this overarching strategy as the New Zealand National Sustainable Development Strategy (NSDS).

**Recommendation 2:** Develop a central government strategy ‘framework’ to create a structure that allows government organisations to develop their strategies and key objectives in harmony with the government’s overarching vision. A database of strategies accessible to all stakeholders would aid in avoiding duplication and misalignment of effort.

**Recommendation 3:** Develop a ‘process’ of ‘best practice’ for selecting, developing, approving, updating, monitoring and reviewing each individual strategy. This process can be disseminated to guide individual government organisations as appropriate.

**Recommendation 4:** Improve the linkages between national strategies, *Statements of Intent* and the budgets of departments and ministries. To do this, the State Services Commission, the Department of Prime Minister and Cabinet and/or Treasury should produce guidelines for circulation to the central public service, detailing processes for enhanced cohesion, alignment and integration between policy instruments, especially between strategies, *Statements of Intent* and the Budget.

**Recommendation 5:** Improve the scope of the Treasury’s *Long-Term Fiscal Position* to include environmental and social impacts, particularly the long-term impacts of climate change, energy and water management; and provide a direction and connection for the development of national strategies, so that there is a good fit between the strategies of departments and ministries and the long-term thinking and objectives of government.