

1 October 2024

Economic Development, Science and Innovation Committee
Via Select Committee submissions portal

Tēnā koe,

A long-term energy transition for Aotearoa to grow to zero

Powerco supports the reversal of the ban on new oil and gas exploration in the Crown Minerals Amendment Bill. Natural gas has a critical role in New Zealand's transition to a low emissions economy.

There is no doubt that **the role of natural gas, and fossil fuels generally, in our economy will decline over time** and there appears to be cross party and industry alignment on this. There also appears to be broad cross-party alignment that the goal is emissions reduction across the economy, not just from the energy sector. The energy sector (including the electricity sector as a subset of that) plays a fundamental role in driving our economy and it must remain affordable and secure as we transition to avoid permanent harm to kiwi's livelihoods. Natural gas can support those outcomes while industries, businesses, and households seek to affordably transition to lower carbon fuels. **Reversing the ban sends an important signal that there is a transition, rather than a cliff face.** This is an economy transition issue, not a gas issue, to set a pathway for net zero while providing the energy security and affordability that all New Zealanders are looking for.

Ensuring sufficient availability of natural gas is critical to an efficient energy transition. Insufficient supply has, and will continue to, result in New Zealand burning more coal to keep the lights on, undermining our decarbonisation goals. We have seen first-hand how the ban has contributed to energy supply issues and cost rises, along with the impact on New Zealand industries and local communities, a shortage of gas will also put upward pressure on electricity prices. Gas is part of a whole-of-energy system with critical interdependencies between gas and electricity. **Natural gas has an important role for years to come**¹, and maintaining investor confidence with long-term policy certainty will help match gas supply with demand, as that demand declines over time. New Zealand's Nationally Determined Contribution under the Paris Agreement, and our domestic emissions budgets are carefully set to allow for the transition to a low carbon future, including the use of natural gas and renewable gas options such as biogas.

Providing opportunity for investors, through **this Bill, may not be enough for a sustainable energy transition.** The risk of future reversals or other policy changes remains. A **long-term energy strategy for New Zealand is**

¹ For example, the Climate Change Commission sees small amounts of fossil gas electricity playing a supporting role in security of supply through to 2050 ([2024-EB4-draft-advice-P05-V01-compressed.pdf](#) pg 87). The GIC Gas Supply and Demand Study 2023 [Gas Supply and Demand - Gas Industry](#) completed by EY, models gas demand at 2035 as 62.6-136.5 PJ varying across 4 scenarios modelled compared to 145 PJ in 2022.

needed to reduce sovereign risk and to support investment in all energy sources and technology changes over time. We endorse a cross-party energy strategy to provide long-term energy policy stability, investor confidence, and sector guidance on the transition pathway. We recommend central government work with industry on understanding and modelling the interactions and implications of changing demand and supply across different energies, and any measures needed to guide our transition pathway.

Renewable gas is part of New Zealand's energy future. We are confident on a role for biogas with sufficient quantity to play an important part of the transition. Electrification alongside natural gas and renewable gas will all be needed to support a managed and equitable transition if we are to keep the lights on and the economy growing. Recent modelling indicates biogas is necessary as part of the future energy mix². We have also seen the notable impact biogas has had on the energy mix in overseas jurisdictions such as the UK, where biogas represents 7.5% of the UK energy supplied³. The UK has been actively supporting the energy transition through initiatives like the Green Gas Support Scheme to incentives production, which has recently been extended to 2028⁴. Powerco is already committed to progressing two initial biogas projects and sees a strong future for renewable gas as part of New Zealand's energy mix.

New Zealand's energy system is already one of the cleanest in the world, and it will only become more so. Powerco sees an opportunity for New Zealand to leverage its clean energy system and grow to zero. The immediate priority is to restore confidence in our energy system to unleash investment in energy security, affordability and decarbonisation. Directional cross-party energy strategy is needed to recognise the interdependencies across the energy system and support an ambitious investment path on all options needed for the transition.

Powerco is one of Aotearoa's largest gas and electricity distributors, supplying around 357,000 (electricity) and 114,000 (gas) urban and rural homes and businesses in the North Island. These energy networks provide essential services to around 1 million kiwis and will be core to Aotearoa achieving a net-zero economy in 2050. Powerco would be pleased to assist in advancing an energy strategy. If you have any questions regarding this submission or would like to talk further on the points we have raised, please contact Irene Clarke (Irene.Clarke@powerco.co.nz).

Nāku noa, nā,



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² For example the DETA technical report released in April 2024 with the Climate Change Commission consultation on emissions budget 4 ([Climate commission modelling and data for process heat](#)), and the GIC Gas Supply and Demand Study.

³ UK Energy in Brief, Department for Business, Energy and Industrial Strategy, 2022, pg 14. ([UK Energy in Brief 2022 \(publishing.service.gov.uk\)](#))

⁴ [GGSS mid-scheme review: extending the scheme \(update 21 October 2023\) - GOV.UK \(www.gov.uk\)](#)