

1 April 2022

The Honourable Megan Woods
Minister of Energy and Resources
Parliament Buildings
Wellington

Tēnā koe Minister

When He Pou a Rangi Climate Change Commission delivered *Ināia Tonu Nei* last year, we presented ambitious, achievable and equitable paths for Aotearoa to meet its climate targets and contribute to global efforts to address climate change.

It is now over to Government to take that advice and use it, among other sources of advice, to determine and resource the specific policies that will form the Government's first Emissions Reduction Plan, and to set the first three emissions budgets to 2035.

As the Government moves to finalise the policies that will make up the plan, I am writing to relevant Ministers to highlight recommendations from *Ināia Tonu Nei* and offer to meet with them.

Creating an energy strategy is a key recommendation and I would welcome the opportunity to discuss the thinking that sits behind the Commission's advice.

It is well established that we must decarbonise gross emissions, and that we cannot plant our way out of our commitments. We are not on track to meet our 2030 target and the 2050 target will not be met without action.

The Commission's ongoing engagement has shown us that businesses are looking to the Government for certainty and leadership, so that they can plan and invest with confidence aligned with the decarbonisation pathway Aotearoa needs.

Investment in decarbonisation

I welcome the investments the Government has made. Alongside the Emissions Trading Scheme, these initiatives will begin to move the dial on reducing emissions.

In buildings, the Building for Climate Change programme, through regulatory reform and guidance, is promising to reduce emissions. To reduce emissions from existing buildings further work is required. Recommendations were made in *Ināia Tonu Nei* to ensure decisions made today do not lock us into high emissions pathways for buildings and urban form. The Commission suggested greater incorporation of system wide considerations to ensure low emissions decisions and investments are made consistently.

The use of the Government Investment in Decarbonising Industry funding has led to the removal of coal boilers from schools and hospitals. It has enabled businesses facing rising ETS prices to test innovative, untried, decarbonisation options. Enabling fuel switching, installing new technology, upgrading infrastructure – these are all investments that move us towards a low carbon future.

However, these individual changes need to be placed within a framework that sets a vision for where energy production and use in Aotearoa is heading. Systems, infrastructure, supply chains, workforces – these will all need to evolve over time.

An energy strategy allows us to determine where best to put our public investments and how they should evolve as we accelerate decarbonisation. It also reduces uncertainty facing private sector investment. To arrive at an energy strategy that endures and is resilient will require a collaborative process with Treaty partners, industry and others.

A cohesive energy strategy creates resilience

Pandemics, recessions, fuel price increases, war, earthquakes, supply disruption, skill shortages - stressors on the energy sector are inevitable.

Having a strategy will enable the country to respond by reprioritising planned action, accelerating or deferring initiatives, creating and exercising options. We can build back better to ensure affordable, secure energy supply that is consistent with statutory targets for net emissions and emissions budgets.

In response to the conflict in Ukraine, a number of European Union nations are taking actions to accelerate decarbonisation under a strategy that allows for energy security and emissions reduction. The strategic planning and investment infrastructure already in place has enabled rapid scaling up in existing plans.

For example, the Netherlands will significantly ramp up building offshore wind farms in coming years, doubling the planned capacity by 2030, in a bid to meet climate goals and reduce its dependence on Russian fossil gas.

Italy's cabinet has approved six new onshore wind farms and has committed to unlocking several tens of gigawatts of offshore wind power.

France will end government subsidies for the installation of new residential fossil gas heaters and boost support for renewable energy heating in a bid to further reduce reliance on Russian fossil fuel exports.

There will always be events that force us to move at a pace or direction we have not expected. A cohesive energy strategy is key to weathering these events and meeting our net-zero goal.

Energy transition in Aotearoa needs steady path

We know in Aotearoa that fossil gas supply and use will need to decline, our use of coal should end, and electricity generation and use must increase. We need to explore alternative zero or low emission fuels – for example bio-energy and hydrogen.

I understand that the Parliamentary Commissioner for the Environment has written to you to draw attention to issues and questions around the renewable resource required for green hydrogen production for export and we echo Simon Upton's guidance on these matters. *Ināia Tonu Nei* noted that hydrogen could be used in Aotearoa for decarbonising various sectors, but this is heavily

dependent on cost reductions and electricity generation. I strongly endorse the issues the Parliamentary Commissioner for the Environment has suggested for consideration.

The energy transition in Aotearoa will require a coordinated approach to support low-emissions technologies, infrastructure, regional development, and workforces, whilst ensuring system reliability and affordability. A transition and transformation requires partnership with Iwi/Māori, engagement with stakeholders and planning.

The strategic choices facing Aotearoa New Zealand over the future generation and use of energy in general, and electricity in particular, have never been left for markets alone to determine. Public investment, public subsidies and regulation have shaped what energy is produced, how it is distributed and priced, and where benefits and burdens have fallen.

The Government is advised to determine where the national interest lies before deciding that private for-profit business decisions and market prices best serve those interests in ensuring the transition to a low emissions economy.

Ahead of the release of the Emissions Reduction Plan in May, I would welcome the opportunity to meet with you to share the thinking that sits behind the advice in *Ināia Tonu Nei*.

Ngā mihi nui



Dr Rod Carr
Chair of He Pou a Rangi Climate Change Commission

cc: Honourable James Shaw - Minister of Climate Change
Simon Upton - Parliamentary Commissioner for the Environment