

6 February 2025

Transport and Infrastructure Committee
Parliament Buildings
Wellington

OFFSHORE RENEWABLE ENERGY BILL - SUBMISSION TO THE TRANSPORT AND INFRASTRUCTURE SELECT COMMITTEE

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to make a submission to the Transport and Infrastructure Select Committee on the Offshore Renewable Energy Bill (the Bill).

ERANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

General comments

In general terms, ERANZ supports efforts to promote and encourage development of offshore renewable energy projects.

Clean, renewable electricity will play a pivotal role in New Zealand achieving its emissions targets by 2050. New Zealand is fortunate to have abundant renewable energy sources, and this positions us well to transition towards 100% renewable electricity. Offshore renewable energy sources such as wind and tidal power hold immense potential and could play a significant part of our future energy mix. Wind is the most mature technology and the most likely candidate for investment in new generation.

ERANZ and its members are committed to accelerating the development of new electricity generation technologies. We support the Government's target to have regulatory settings in place as soon as possible, with the first feasibility round initiated by late 2025.

ERANZ supports developing the regulatory settings required so interested parties can undertake feasibility studies with the site-exclusivity they need for such an exercise to be economic. Encouraging investors by providing a greater level of certainty while securing New Zealand's long-term interests is a positive move – and does not apply just to offshore resources, but equally to onshore resources.

Policy objective

ERANZ supports the Government's intent with the Bill to establish a regime that gives investors the confidence to investigate and construct offshore renewable energy generation assets. We agree that offshore wind is potentially one of New Zealand's great untapped sources of renewable energy, and the regime this Bill proposes to establish will help give developers the confidence to explore it.

Feasibility studies to explore whether offshore renewable energy is suitable in a particular area can cost hundreds of millions of dollars. Right now, developers who undertake these studies run the risk that competing developers may beat them to gaining the necessary consents, which has a chilling effect on the offshore renewable sector as a whole.

ERANZ supports the Bill's two-step approach to permits, which addresses this problem. Requiring a developer to first seek a permit to undertake feasibility activities, which then grants them the sole right to later seek a permit to construct and operate offshore assets will solve a key issue of certainty for developers who are seeking to explore offshore renewable energy projects.

Developer-led approach

ERANZ supports the Government's developer-led approach, where developers identify and apply for sites to construct offshore renewable energy projects. This approach will let developers get on with the job of identifying the most suitable sites and enable the feasibility permit process to begin as quickly as possible.

Feasibility permits

As outlined earlier in our submission, ERANZ supports the Bill's two-step approach to permitting.

As regards the feasibility permits application process, we agree with the approach in the Bill to run these in rounds for geographical areas, which will help to ensure that any feasibility permits granted will make the most of the potential of their sites.

Where there are multiple competing applications for feasibility permits, we agree with the need to consider applications on a comparative basis against set criteria. This will help ensure the project that is selected to obtain the feasibility permit is the project that will deliver the most benefit to New Zealand.

Once feasibility permits are granted, ERANZ supports the requirements on permit holders in Clause 33 to commence feasibility activities within 12 months and to meet any milestones in their development plan, unless compliance can reasonably be excused. These so-called 'use it or lose it' provisions will help avoid speculative 'water banking' and ensure that offshore energy resources are developed and able to contribute to New Zealand's overall electricity generation mix. At the same time, we expect they will provide the right level of flexibility for developers in recognition of the highly competitive international environment from which New Zealand would have to draw the required expertise and capital.

Overseas investment

Aligning any national interest or character tests to the Overseas Investment Act makes sense and helps provide a known blueprint to developers of what is required to gain approval under the new regime.

The nature of the offshore wind industry is that most development expertise and investment will likely come from offshore. Therefore, we support the Government taking a holistic approach to

national security requirements, particularly as regards the Overseas Investment Act. The regime should ensure those parties with the skills, character and capital required are not deterred by unduly onerous legislative or regulatory requirements.

Capability assessments

ERANZ is pleased to see permit holder suitability requirements in Clause 19 that will ensure applicants for feasibility permits have the technical and financial ability to install, operate, maintain and decommission energy infrastructure.

The Government needs to have assurance that applicants have the necessary technical capability and funding to deliver the projects they seek permits for. We believe these are fair questions for developers to satisfy, to avoid the Government being left to deal with costly decommissioning processes.

Price support

ERANZ agrees with the Government's assessment not to include a price support mechanism in the Bill. Such a mechanism would be a material departure from the successful market-based electricity model in New Zealand, and its omission puts offshore renewable energy generation projects on the same equal footing as onshore projects.

The Government should continue its focus on creating an enabling regulatory environment that allows the market to get on and deliver. ERANZ looks forward to contributing to future government consultations as we work together to realise this objective.

Confidentiality

ERANZ supports the Bill's inclusion of Clause 116 "use and disclosure of information", which places obligations on the Crown to protect commercially sensitive project information. We note the similarities to Section 90A of the Crown Minerals Act, which we believe is appropriate given the similar highly competitive nature and exclusive rights aspects that characterise both regimes.

Conclusion

ERANZ would like to thank the Committee for considering our submission. We are happy to provide any further information on this submission as required.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K. Clark', with a long horizontal flourish extending to the right.

Kenny Clark
Policy Consultant