

blue energy : taking the plunge

15 March 2007

Icon Room
Te Papa Tongarewa
Wellington



Hon David Parker
Minister of Energy
Minister responsible for Climate Change issues



Speech notes

15 March 2007

Encouraging wave and tidal energy in NZ

*Address to the Aotearoa Wave and Tidal Energy Association
8.30am, Thursday 15 March 2007,
Icon Room, Te Papa, Wellington*

I'd like to thank your Executive for the opportunity to address your inaugural conference.

I think it's always exciting, in a dynamic area such as our energy industry, to see the formation of specialist groups that are prepared to bring concentrated expertise to bear on particular technologies or issues, for the long-term good of the country.

I'm therefore delighted that your Association is now up and running, and I congratulate your leaders on their foresight in taking this initiative.

I know that you will all be aware of the launch, late last year, of the draft New Zealand Energy Strategy and its companion documents.

And I've been delighted with the wide range of interest in the issues from all sectors, and the good attendance at briefings of stakeholders.

Your meeting today is another example of this interest, which we want to encourage at all levels of society, given the fundamental importance of energy in our daily lives.

Indeed, I don't think it is overstating the case to emphasise the need for all New Zealanders, whatever their age, to take a real interest in the energy and climate change issues that will be facing New Zealand over the next few decades.

As articulated in the NZES, our vision is for a reliable and resilient system delivering New Zealand sustainable, low-emissions energy.

We plan to do this by:

- Providing clear direction on the future of our energy system
- Maintaining high levels of security and reliability at competitive prices
- Maximising how efficiently we use our energy to safeguard affordability, economic productivity and our environment
- Maximising the proportion of energy that comes from our abundant renewable energy resources
- Reducing our greenhouse gas emissions
- Promoting environmentally sustainable technologies.

The impact of unmitigated climate change is a serious issue facing all countries.

Given the imperative for the world to reduce greenhouse gas emissions, and the likelihood that emissions will carry an economic cost to our country in the future, it is vital that we alter our growing energy emissions.

As you know, we have a long tradition of providing much of our energy from local renewable sources.

Already, about 70 percent of our electricity is generated from renewable sources – the third highest level in the developed world.

The NZES will help us do even better with electricity, and make important progress with greenhouse gas emissions from transport over the next 30 to 50 years.

The strategy will aim to ensure that we all reap the benefits of a sustainable low-emissions energy system, which will provide our economy with an enduring competitive advantage.

I expect that this transition will be cheaper here than in almost any other country in the world.

Our abundant sources of renewable energy mean that we are already a leader in sustainable energy, and the strategy will demonstrate how we can advance towards carbon neutrality.

For the first time in our history since industrial development began here, it will set us on a path that will enable us to sustainably reduce our total carbon dioxide emissions from energy.

We're renowned for our ability to develop resourceful, innovative and pioneering solutions.

These qualities will be valuable as we respond to the energy challenges and opportunities of the future.

We want to protect our environment for future generations, and reinforce the values that we all share.

We all have a stake in where our energy comes from, how we use our energy, and the impact that our energy choices have on the world around us.

The challenge for the government is to persuade everybody, from the largest corporate organisation to each individual energy user, to recognise and accept the issues and do their bit to resolve them.

As I've already noted, the NZES seeks to maximise the proportion of energy that comes from renewable energy sources, and to increase the diversity of the stationary energy supply.

The NZES articulates concerns over barriers to distributed generation – or “DG” for short.

DG refers to a broad range of technologies that either generate electricity close to the point where it is to be used, or supply electricity to consumers at local distribution voltages rather than transmission grid voltages.

DG includes smaller-scale generation including marine, wind, landfill gas, biomass and small hydro, cogeneration or combined heat and power plants, small stand-alone diesel generators, and domestic or small commercial photovoltaic solar generation.

DG can contribute to security of supply by increasing overall generation capacity; providing a more diverse and geographically dispersed electricity supply portfolio; and improving energy efficiency by reducing transmission and distribution losses in the system.

We recognise, however, that there remain some regulatory and market barriers to DG, as well as reliability and safety implications for local distribution networks if there is a widespread uptake of DG.

The New Zealand Energy Efficiency and Conservation Strategy – “NZECS” for short – will explore initiatives to increase the uptake of DG by the removal of barriers and development of targeted incentives as well as other measures.

The government will also be identifying barriers to uptake and looking at options to encourage small-scale generation development.

It is currently working on the development of regulations to facilitate the connection of DG to local lines networks.

These were released for consultation last September, and officials are analysing the submissions responding to that consultation.

The regulations are intended to provide a process for obtaining approval to connect, specify terms that will apply in the absence of contractually agreed terms, and set out pricing principles to ensure that connection charges are fair and reasonable.

An effect of the regulations will be that lines companies can only charge distributed generators the additional costs resulting from the connection of their plant to the lines.

If there are no additional costs, there will be no charge.

I am optimistic that the final regulations will be promulgated by the middle of this year.

Energy innovation is a vital key in meeting these goals, and more needs to be done to stimulate innovation in renewable energy generation and energy use in New Zealand.

It is very much in our interests to bring forward the deployment of energy technologies that have the potential to contribute substantially to a low-carbon energy future.

Early deployment of new technologies will help bring down costs and establish feasibility and reliability.

Marine energy is an emerging technology with a tremendous potential for wide deployment in New Zealand, given our vast marine energy resource, as well as around the World.

Prototypes have already been developed and deployed overseas, and we need to be prepared to test the ability of each type of marine technology to withstand the rigours of what, by any standards, is a pretty harsh environment in this part of the World.

With that in mind, the government has decided to establish a contestable grant fund of 8 million dollars for the deployment of marine generation devices.

At this stage, we think that priority is likely to be given to small-scale deployment near those remote offshore islands or coastal communities, which currently rely upon expensive, diesel-fuelled electricity generation. Early deployment could also occur in prospective locations with cost-effective grid connections at close hand.

We expect that grant funding would need to be matched by commercial investment in such plants.

I'm also clear that I am not proposing these funds be used to fund process costs under the RMA, or business plans.

We have not set the "ground rules" yet.

I have been asked by Cabinet to report back by the end of June with recommendations on the scope of the fund, the administrative arrangements – including the costs – and any proposed criteria for the fund.

It is essential, therefore, that we get comprehensive comment from stakeholders on all aspects of the proposed fund.

This should be done through the response arrangements set out in the NZES, which targets 30 March for the receipt by the Ministry of Economic Development of submissions.

I wish you well as you commence your inaugural conference.

Judging by your agenda, you have a very interesting range of speakers lined up, and I expect that there will be some thought-provoking discussions during the day.

I trust that by the end of today you will feel that you have spent a very productive time exchanging views on the issues and challenges that face your area of the energy sector over the next few years.

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