

BRIEFING PAPER TO THE INCOMING MINISTER OF ENERGY AND RESOURCES

1. Property Council New Zealand (“Property Council”) is a not-for-profit organisation that represents New Zealand’s commercial, industrial, retail, property funds and multi-unit residential property owners. Property Council represents all the forms of commercial property and property investment in New Zealand.
2. Property Council Members own or manage property portfolios the value of which exceeds \$25 billion. Our organisation actively involves itself with central, local and other government associated bodies, promoting the views, goals and ideas of our members. Property Council’s underlying policy is that economically sustainable communities are good for New Zealand’s future well-being, and that such communities will only be viable if we do three things:
 - re-establish New Zealand as an attractive investment destination;
 - improve local and national governance through law reform; and
 - further invest in infrastructure and utilities that secure New Zealand’s economic prosperity.

A Road for Reform

3. In September 2008 Property Council released its manifesto document, *A Roadmap for Reform*, which codifies a series of public policy changes that are necessary to transform and reenergise New Zealand’s economy. *A Roadmap for Reform* calls for the following:
 - economic growth (starting with an overhaul of the Resource Management Act 1991);
 - fairer taxes;
 - greater overseas investment;
 - cutting red tape;
 - delivering the dividends of wealth creation back to the creators of wealth;

- smarter governance at all levels of government; and
 - the opportunity for all New Zealanders to own property, gain financial security and enjoy a quality standard of living
4. Property Council is committed to working with the Government to advocate for public policy reforms that deliver the aforementioned policy outcomes. We see the deliverance of these outcomes as one that first requires collaboration and a common purpose between the New Zealand Government and the business community (including the commercial property sector).

Public policy in the context of New Zealand's current economic profile

5. Property Council starts out from the perspective that New Zealand's economic fortune since 2001 has been built on high commodity prices, which has shielded the economy from the problems created by structural deficiencies in terms of the labour market, low productivity, inadequate infrastructure, low savings rates, and a high rate of taxation. Inflationary pressure has forced the Governor of the Reserve Bank to maintain a tight monetary policy, which has led to New Zealanders paying some of the highest interest rates in the OECD.
6. Current monetary policy has provided the Reserve Bank with significant means to reverse New Zealand's economic decline. With the Official Cash Rate currently set at 6.5 per cent, New Zealand has significant capacity to reduce the cost of credit and maintain domestic liquidity. The Crown also has a low level of Net Debt, which enables it to borrow in order to fund infrastructure (a stimulus) and personal tax cuts.
7. However, New Zealand continues to be buttressed by structural problems in the labour market, barriers to foreign investment, a low skills base, inadequate infrastructure, a tax system that stymies investment, and a poor savings base. While economic transformation is necessary, it starts with the requirement to address the fundamental structural problems that constrain New Zealand's performance within an already unfavourable global economy.

Security of New Zealand's energy supply

8. The security of New Zealand's energy supply is crucial to New Zealand's ability to attract capital investment, both domestic and foreign. New Zealand's track record in the timely delivery of major electricity projects is poor. Convoluted planning, approval and consents processes and a complex

regulatory environment managed by a multiplicity of agencies all affect the timely delivery of energy projects. Any given energy project may need to be evaluated and approved under as many as nine pieces of legislation, each having its own agency, consultation requirements, and appeals process before approval is given. In addition, projects must also satisfy territorial authorities' individual policies and interpretations of the Resource Management Act 1991 (RMA 1991).

9. Current resource consent procedures have proven to be insufficient at evaluating large scale energy projects, resulting in long delays and the failure to receive planning approval of projects essential to supply security.

Removing the moratorium on thermal energy

10. Property Council supports amending the Climate Change (Emissions Trading and Renewable Preference) Act to removing the moratorium of thermal energy. By banning new thermal generation, the previous government removed a corner stone of the energy sector. By further loading more capacity onto renewable generation, the network has become more susceptible to shortages when the weather is insufficient. Thermal generation is necessary to boost renewable output during peak periods of demand. The risk to supply security due to the moratorium on thermal generation is unacceptable.
11. Rather than placing a ban on thermal generation, government policy and any associated legislation should provide leadership and guidance on consenting both renewable and “low emission” electricity generation. Thermal generation proposals could be required to demonstrate a positive net gain from an environmental point of view in order to gain approval. This could potentially enhance security of supply and encourage competitive energy supply price.¹
12. The Climate Change (Emissions Trading and Renewable Preference) Act also seeks to load additional costs onto existing thermal generators through the Emissions Trading Scheme. With increased cost loaded onto thermal generators, consumers will have to pay more for the energy they use. If a generator decides to shift generation to a new clearer thermal generation plant they will be prohibited from doing so under the thermal generation moratorium provisions of the Act. The perverse effect will be more emissions than necessary as old large emitters are unable to be transitioned to lower emissions generators.

¹ New Zealand Council for Infrastructure Development, Submission to the Finance and Expenditure Select Committee on the Climate Change (emissions trading and renewable preference) Bill, February 2008, pp.1-2.

Recommendation to the Minister of Energy and Resources

Property Council recommends reviewing the planning environment so that energy generation projects are assessed by agencies that have a stronger mandate to enhance supply security. To streamline consultation and reduce holding costs, organisations who propose new energy generation projects should also be able to voluntarily 'call-in' their proposals to the final point of appeal in either the Environment Court, a Board of Inquiry or a new specialist agency (under the present system only the Minister for the Environment has the power to 'call-in' proposals).

Energy demand management strategies

13. Property Council supports national improvements in energy efficiency. New and existing properties require support to increase the uptake of green technologies that lower energy use. Appropriate strategies are needed for new and existing buildings. Through the establishment of the Green Star rating system, the commercial property industry has already been leading the way with investments in green technology that reduce the amount of carbon emitted from buildings. If buildings are energy efficient, they are eligible to receive green stars. The more efficient the building (i.e. the less energy consumed), the higher the green star rating. The success of the green star rating tool demonstrates the benefits of private sector leadership in the drive towards a more sustainable world.
14. The built environment is a large energy consumer. Initiatives to increase the uptake of green technology would have a marked effect on demand growth. By promoting strategies that encourage property owners to invest in green technologies, either at construction or in retrofit situations, energy demand mitigation will offset the need for otherwise necessary generation capacity.

Recommendation to the Minister of Energy and Resources

Property Council recommends that the (Emissions Trading and Renewable Preference) Act is reviewed with the terms of reference for a review to include the exploration of options for passing on to the investors of technology that abates carbon (such as green buildings) the financial benefits of that investment.