Infrastructure New Zealand

Level 1, 145 Khyber Pass Road
PO Box 7244
Victoria Street West
Auckland 1142
New Zealand
Email: office@infrastructure.org.nz

5 February 2025

Infrastructure New Zealand Submission on Offshore Renewable Energy Bill

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Introduction

1.1 Infrastructure New Zealand (INZ) welcomes this opportunity to submit on the Offshore Renewable Energy Bill.

1.2 INZ is New Zealand's membership organisation for the infrastructure sector. We promote best practice in national infrastructure development through research, advocacy and public and private sector collaboration. Our members come from diverse sectors across New Zealand and include infrastructure service providers, investors and operators.

1.3 While INZ has submitted as the peak infrastructure sector organisation, we have also encouraged our members to make their own submissions raising those issues specific to their areas of interest or expertise.

2. General Remarks

2.1 INZ fully supports the Government's approach in recognising Offshore Renewable Energy (ORE) 's strategic importance and contribution to accelerating New Zealand's decarbonisation efforts and growing our economy overall.

2.2 Despite initial momentum under the previous Labour government, this Bill has been significantly delayed. The current Government also made commitments to establish regulatory settings by July 2024, which were also delayed. However, it should be acknowledged that this Bill is one of the only parts of the previous Labour Government's work programme to be carried forward into the current Government's programme. We strongly support bipartisan agreement on infrastructure issues and work being taken forward which was started by the previous Government to create greater certainty for the industry, and developers in this context.

2.3 INZ supports the Bill's permit regime for ORE, ensuring the entire lifecycle of ORE is considered and funded by permit holders. By introducing "permit areas", comparative assessments, and decommissioning obligations, the Bill provides greater regulatory transparency and certainty for investors. Moreover, safety zones around ORE infrastructure mitigate health, safety, and economic risks. However, the Bill lacks aspects that would make New Zealand more competitive. **The Government should consider introducing price stability mechanisms to improve New Zealand's global competitiveness in ORE development.**

2.4 We also strongly support the proactive engagement with Māori in developing the regulatory framework to ensure that their rights and obligations as mana whenua, mana moana and Tiriti partners are appropriately accounted for.

2.5 We must ensure that this Bill gets the settings right for ORE investment as it would contribute to our continued ability to leverage New Zealand's advantages, such as; our clean, green image, skilled workforce, and strategic location, while supporting the country's rising electricity demand and net-zero goals. We also want to see bipartisan approach to ORE development, ensuring better environmental outcomes, sustainable infrastructure growth, and investor confidence.

3. Opportunity for New Zealand

3.1 INZ supports this Bill which contributes to the Government's goal of doubling its renewable energy generation by 2050. Wind turbines are the most mature form of ORE. This Bill not only provides an opportunity to further mature renewable wind energy infrastructure but also explore opportunities for alternative OREs, like tidal and wave.

3.2 INZ supports this Bill because it can help facilitate the uptake of ORE projects, which could ease the strains on global demands for renewable generation while ensuring a sustainable transition out of energy sources like oil and gas. Furthermore, this transition offers a market that could be sufficient to incubate a new industry, which could come with high paying jobs, and a long-term demand source. Supporting this large a transition requires a large workforce with a diverse set of skills across Aotearoa New Zealand. Moreover, this uptake in ORE could support us in reaching our goal of being net-zero by 2050.

<u>3.2 Workforce Development</u>

3.2.1 According to the Global Wind Energy Council, new offshore wind deployments should result in a 700% increase in energy capacity over the next decade, bringing the total wind capacity internationally up to 447GW by the end of 2032. Investment in the development of this technology could significantly improve New Zealand's ability to compete internationally, with improved supply chains, vessels, developer expertise, and workforce skills.

3.2.2 To sustain the transition away from energy sectors like oil and gas, particularly in areas like Taranaki, Waikato, and Southland, could present a risk to the local economy. However, the skilled people employed in this industry already have a detailed understanding of local landscapes are crucial in the developing ORE and the supporting infrastructure like the ports.

3.3 The Role of Coordination

3.3.1 Coordination plays a pivotal role in ensuring that investment in ORE infrastructure is successful, particularly when connecting this energy source to a national grid. This needs forward planning and investment to be successful.

3.3.2 Moreover, having effective coordination both on and offshore, there is capacity to improve and develop the workforce, with more skilled workers being needed to maintain those connections.

4. What Makes Us Special?

4.1 The government must ensure this Bill is enough to attract investors over competing nations. We need to ensure that we leverage what we have over others, such as our clean, green image, location, and access to expertise. We must do this, as this Bill could support New Zealand's growing energy demands and allow us to reach out to increasing electricity demands.

4.2 New Zealand already generates approximately 84% of its electricity from renewable sources, such as hydropower, geothermal, and wind. This reflects to investors the commitment to growing and developing ORE infrastructure. With the maturity of the renewable energy sector in Aotearoa, comes a mature, skilled workforce. Which would be of significant benefit both to investors, but also to the local economy, particularly in places like Taranaki, which are areas that are actively looking to utilise the potential of their ports and offshore space.

4.3 The demand for electricity in New Zealand has gone up, due to the electrification of transport and industry, as well as our growing population. Renewable energy generated offshore, could support New Zealand to meet its long-term energy needs, including the transition to net-zero carbon emissions by 2050 and Electrify NZ work programme, which has the goal of doubling renewable energy generation by 2050.

4.4 Decarbonising our economy could make New Zealand significantly wealthier as it would reduce or remove the need to import energy from international markets. It could make our economy more resilient, reducing our trade deficit, and shield us from international oil shocks.

5. Legislation Delays

5.1 The development of ORE has long been a topic of conversation in New Zealand politics. The previous Labour government began their advocacy for ORE by recognising its rising international demand. They recognised the need for New Zealand to establish an enduring framework for ORE. Since 2023, INZ has made two submissions, one on Enabling Investment in Offshore Renewable Energy Discussion Document and MBIE's Energy Transition Consultation Package. However, the momentum slowed after this and has since been incorporated into the current National government's work programme.

5.2 Despite the current government's commitment to this work, there has still been delays, originally, the Government agreed to put in place regulatory settings by July 2024, to enable offshore energy development in Aotearoa, as outlined in MBIE's Offshore renewable energy: Release of public consultation document on approaches to manage feasibility activities, released in 2022. This delay has resulted in missed opportunities for New Zealand's ORE sector, for example. BlueFloat's cancellation of their offshore energy work in Taranaki citing "key uncertainties" as their reasoning. This further highlights the challenges in the ORE sector, particularly the need for a regulatory regime.

5.3 INZ supports this Bill and the work being undertaken to establish the regulatory framework for ORE. We recommend that this continues to be a priority for the government.

6. Pipeline and Certainty

6.1 Part 2 of the Bill establishes a legislative regime to govern the construction, operation, and decommissioning of ORE developments. The regime is two-tiered, with a developer first having to get a feasibility permit and then a commercial permit before proceeding with the development their ORE. These permits are a positive development in the progression of the offshore renewable energy industry, as they ensure that the entire life of an ORE infrastructure asset is accounted for and funded by the permit holders.

6.2 Regulatory Transparency

6.2.1 Prior to the release of the Bill, any person can apply for consent under the Resource Management Act 1991 (RMA) or the Exclusive Economic Zone and Continental Shelf (EEZ) Act 2012 to construct ORE infrastructure. These processes require costly and resource-intensive feasibility studies, which are unlikely to be carried out without assurance of the site's exclusivity and investment returns. This served as a blockade for potential investors, as they were not assured of a return on investment.

6.2.2 While the consenting frameworks outlined in the RMA and the EEZ still apply, the Bill introduces the feasibility and commercial permits allocate a “permit areas”, allowing for investors to obtain the specific site they want to invest in, if it is available. The feasibility permit covers a designated area, allowing developers to conduct feasibility studies, apply for resource consents, and operates under a use it or lose it” principle, where a permit can be revoked if the holder fails to make progress towards commercial developments. Feasibility permits are also assessed against each other on a comparative basis and will be carried out in “rounds” will allow for several applications to be considered alongside one another, avoiding a “first in, first served” approach.

6.2.3 INZ also supports Part 2 of this Bill due to the timeline certainty of the ORE. This Bill requires an organisation to plan for and fund the decommissioning of their ORE once it reaches end of life. This allows for a safe, planned, and environmentally conscious removal of infrastructure. However, to maintain confidence in investors and the energy sector, this permit system must be done so with transparency.

6.2.4 Subpart 5 of the Bill proposes “safety zones” of up to 500 metres to be established around ORE infrastructure and substations. This prohibits unauthorised people or vessels from entering and carrying out certain activities in the area. This limits the

health and safety risks and economic losses that could arise from an unauthorised person entering a safety zone and/or tampering with ORE infrastructure.

6.2.5 However, we note that these permits could be approved by a regulator based on a predetermined set of criteria rather than the Minister. This will ensure certainty, transparency, and fairness in the approval process and for investors and will reduce political influence.

7. Engagement with Māori

7.1 The moana around Aotearoa New Zealand holds significant cultural and economic value to Māori, they have close interests in ORE developments and the wider marine environment, including in relation to managing Treaty settlements and customary rights in the marine area.

7.2 Relevant Iwi Māori groups must be consulted when applying for feasibility and commercial permits. The Bill also requires the Minister of Energy to consult with relevant iwi for each permit area applied for. It is the role of the government also, to ensure that iwi involvement and consultation with ORE is adequately funded, to ensure success and uphold the Bills clauses. However, the Government should also consider strengthening these obligations through a Memorandum of Understanding or similar.

7.3 INZ strongly supports the involvement of Māori in the feasibility stage and throughout the Bill, which can take place in forms such as governance, advisory, and cultural and environmental matters. Each iwi will have its own priorities and goals, and these can be reflected during the consultation stage.

8. Price Stability Mechanisms

8.1 This Bill does not provide any Government support, such as contracts for difference or floating premiums, to support the development of the offshore wind industry. This negatively impacts New Zealand's competitiveness and may deter investors, pushing them towards nations that provide Government support, like Australia.

8.2 Although there is no new information provided by the Government regarding price support in the ORE Bill, it should be considered. If Aotearoa New Zealand is serious about being globally competitive in developing ORE, the Government's next steps should be to consider introducing price stability mechanisms.

8.3 in INZ recommends that amendments be made to the Bill in the further that put in place prove stability mechanisms. This amendment would allow New Zealand to attract investment and remain competitive against similar countries that provide Government support.

9. Competition for Seabed Use

9.1 To maximise the offshore environment, ORE should be able to work with other ocean users. Some forms of seabed use, such as bottom trawl fishing and seabed mining are not compatible with offshore wind farms due to the consequential interaction with live subsea power cables. For this reason, offshore wind farms become de-facto marine sanctuaries for marine life.

9.2 Granting a feasibility permit will not prevent other authorised offshore activities, such as mining or aquaculture from gaining environmental consents within the permit area. This may exclude offshore renewable energy developments from being consented, where competing users cannot co-exist. However, the Crown may seek to resolve these overlaps through a level of strategic planning in the marine environment. There needs to be further guidance on trading off between uses for the seabed and offshore resources and how that will be approached, to give more certainty to developers.

9.3 INZ would like to see further clarification regarding the use of the offshore space both for non-ORE activities, like seabed mining and ORE developments. We would like to see an issue of guidelines that can prepare investors for the space and regulate how they can co-exist successfully without jeopardising the health of the offshore environment.

10. Conclusion

10.1 In conclusion, INZ supports the Government's recognition of Offshore Renewable Energy (ORE) as critical for decarbonisation, the transition away from fossil fuels, and economic growth, while noting delays in the Bill's introduction.

10.2 We support the introduction of a robust permit regime, regulatory transparency, and safety measures. However, we note that it lacks detail on price stability mechanisms, which could affect New Zealand's global competitiveness. We recommend that this is addressed before the legislation is finalised.

10.3 INZ supports proactive Māori engagement and a focus on leveraging New Zealand's clean image, skilled workforce, and strategic location are essential to attract investors and support the country's net-zero and energy goals.

10.4 However, INZ wishes to see bipartisan approach taken in the development of ORE that will provide an enduring regime that provides for better environmental outcomes and well as facilitating sustainable development of infrastructure to meet this country's needs and provides infrastructure investors with the confidence to support this development.

10.5 INZ wishes to see more guidance on competing uses for the seabed as well as the trade-offs around sharing New Zealand's offshore space.

10.6 INZ thanks the Transport and Infrastructure Select Committee for the opportunity to submit on the Offshore Renewable Energy Bill. Furthermore, we welcome the opportunity to present orally to the Select Committee.

Yours sincerely,

Michelle McCormick

Policy Director

Infrastructure New Zealand