



Crombie Lockwood Tower
Level 16, 191 Queen Street
PO Box 7244
Wellesley Street
Auckland 1141
New Zealand
Email: office@infrastructure.org.nz

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Infrastructure New Zealand Submission on Enabling investment in offshore renewable energy discussion document.

1. Introduction

- 1.1 Infrastructure New Zealand (INZ) welcomes this opportunity to submit on the Ministry for Business, Innovation and Employment's Discussion Document, Enabling Investment in Offshore Renewable Energy.
- 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 the strategic importance of offshore wind and its contribution to accelerating New Zealand's decarbonisation efforts and growing our economy overall.
- 2.2 The early establishment of a clear assessment process will provide certainty for the offshore wind industry and its potential investors. This is particularly the case as international

interest in this type of sustainable energy generation continues to grow and New Zealand competes for investment.

- 2.3 INZ supports the developer-led permitting approach which has been recommended in the Discussion Paper. We see the implementation of a feasibility permit system as an extremely positive development in the progression of the offshore renewable energy industry.
- 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. To enable this, it is vital that Government ensures that iwi involvement is adequately resourced and funded as contemplated. This could be supported by the developer application fees.
- 2.5 Additionally, there is a larger coordination role that is needed to ensure that the investment in offshore wind energy infrastructure is successful. Both offshore and onshore transmission infrastructure is a critical aspect of any offshore wind development. The connection of the energy from this new generation source to the national grid is another aspect that needs forward planning and investment to ensure certainty in the offshore investment. Coordination of other supporting infrastructure, such as port upgrade, are also a critical component to the establishment of the offshore wind energy sector and its ongoing operation. There is an important role here for government to play and coordinate across the different sectors and players to ensure New Zealand is able to meet its emission targets.
- 2.6 INZ notes that a second discussion document in 2023 is expected to canvas further elements of required regulatory settings such as how best to manage the construction, operation and maintenance, and decommissioning stages of offshore renewable energy infrastructure, and we look forward to providing feedback on this in due course.
- 2.7 In developing our submission, INZ has consulted with Blue Float Energy and the Elemental Group as key offshore energy sector stakeholders. We largely support their submission and defers to their on more detailed technical aspects. INZ have responded to the discussion points canvassed below in the template submission.

Yours sincerely



Michelle McCormick

Policy Director

Responses to questions

Chapter 3: Why does the government need to enable feasibility activity now?

1 Do you agree with the proposed policy objectives outlined in the discussion document? Why or why not?

Yes, we agree with the proposed policy objectives for enabling offshore energy feasibility activities. They cover the most important considerations and are appropriate at this stage of the sector's early development.

Are there other objectives that we should consider that are not captured above? If so, what are they and why are they important?

We recommend that two of the current objectives are slightly modified, as follows:

- First bullet: Add the following additional wording to this objective:

*- enable selection of both the developer and the development to meet Aotearoa New Zealand's national interests, including appropriate safeguards and benefits for the environment, **and meeting the interests of local communities.***

- Third bullet: "*provide certainty for developers...*" we recommend that the following wording is added at the start of this objective "***promote investment in offshore renewable energy by de-risking development and...***"

3 Do you agree with the proposed criteria for assessing the proposals for regulating offshore renewable energy? Why or why not?

The criteria is adequate. However, we consider that the criteria should be more closely tied to the policy objectives, such that each option is measured against each objective. Further, there should be a set of regulatory design criteria to ensure a robust framework, which might include criteria around fairness, transparency, timeliness, and efficiency

4 Are there other criteria that we should consider that are not captured above? If so, what are they and why are they important?

No.

5 Do you agree that the criteria should be equally weighted? Why or why not?

Yes, equal weighting is appropriate.

Chapter 4: Proposals for managing feasibility activities

6 What role do you think government should have in gathering feasibility information for offshore renewable energy development?

We consider that developers are best placed to play a lead role in gathering feasibility information in the near term, however, government can play a key role in making existing information available and providing clarity in relation to certain aspects of development.

INZ consider that government should make available data that already exists to all potential developers, for example, from historical oil & gas developments. This includes geological information and environmental monitoring data from both local and central government

sources. Public databases should be made available to developers to avoid risk of unnecessary duplication of activities and bringing a degree of efficiency to the investigation process for all participants.

It would be beneficial to the sector if the government could establish guidelines for the expected environmental monitoring so that developers can plan their feasibility activities in full knowledge of expectations. Also, if the government intends to exclude any areas from being eligible, we recommend that this clarity is provided as soon as possible.

Do you agree that, at least in the short-to-medium term, a developer-led approach to gathering feasibility information is appropriate for Aotearoa New Zealand? Why or why not?

Yes, INZ agrees that a developer-led approach is most appropriate in the short term given the immaturity of the New Zealand market currently. As the market develops and maturity grows, it may be appropriate for government to play a greater role in the future.

7

An open-door approach is likely to speed up the development of the industry by avoiding the inevitable delays which would result if the government were to proactively identify specific zones. This approach would allow developers to apply their expertise to identify the most attractive areas in New Zealand waters and for the government and iwi then to respond based on specific approaches.

INZ recommends that consideration be given to placing a size limit on individual permit applications. This size should be set to ensure projects are large enough to be commercially feasible but not so large that a single developer can “block” a whole area. Others more expert in this field can offer suggestions on what the optimal size could be.

In the absence of New Zealand energy strategy currently, it would be positive for the sectors development if the government established targets for the establishment of offshore wind capacity. This will help to provide developers, supply chain participants and Transpower with certainty and clarity to encourage the significant investment required to enable the industry and understand the quantum of the development.

8

Is there another approach not considered above that may be more suitable?

No

9

Do you agree with the two shortlisted options (permitting and collaborative) that we have identified? If not, what other viable options might we be looking at?

INZ agrees that the two shortlisted options are appropriate for the feasibility phase consultation.

10

Assuming a developer-led process to propose sites and assess feasibility, do you think the permitting approach or the collaborative approach would deliver a better outcome for Aotearoa New Zealand and why?

At this early stage, in the sector’s evolution, INZ considers that the permitting approach would support the timely investment and investigation of the feasibility of offshore energy infrastructure. There is still the ability to enable collaborative features through either permit conditions and/or assessment criteria but this option would provide the certainty for investigations to proceed in the most efficient manner. Supporting infrastructure such as port

facilities and transmission assets would also be a potential area for collaboration which could be incentivised.

11 How could a collaborative approach be designed to enable the objectives set out above, and what could the government do to support collaboration?

We are not sure the disadvantages can be overcome at this stage. The inherent uncertainty that arises with multiple parties and increased administrative burden of a collaborative approach are very likely to adversely affect the timely development of the sector and the delivery of low emission energy.

12 Have we captured a complete list of trade-offs between the two shortlisted options? What else, if anything, should we be considering?

Yes.

Chapter 5: Māori involvement in the assessment of feasibility

What broad opportunities do you see for iwi, hapū, and/or whānau to be involved in the feasibility stage of development (both before and during studies)?

13 INZ strongly supports the involvement of Māori in the feasibility stage, this could be in a number of forms such as commercial participation, governance roles or advisory services including for cultural and environmental matters. Each iwi will have its own priorities and aspirations and these can be tailored to the opportunities that they wish to pursue.

Are the above requirements sufficient to achieve this? How can the requirements be implemented to reduce undue burden on mana moana or developers?

14 Yes, the listed requirements are sufficient to ensure appropriate involvement by Māori. These obligations could be strengthened through a Memorandum of Understanding or similar documentation.

The government could consider the sharing of development associated with the grant of permits so that iwi can fund themselves to actively participate in any project.

15 What information/mātauranga Māori and process/tikanga will be important for developers to incorporate into their feasibility plans, and how should iwi, hapū, and/or whānau be involved in gathering this information?

INZ has no comment.

16 What mechanisms for monitoring and enforcing these requirements are appropriate (regular reporting by developers that is reviewed by iwi etc)?

An MOU would support these requirements, along with conditions on the permit.

17 How should the adequacy of iwi involvement be assessed? What does good faith and meaningful participation look like?

Developers should work with iwi to identify opportunities for participation that recognises and helps to achieve the aspirations of iwi.

Chapter 6: Considerations for a permitting framework

18 **Do you agree that developers should be required to meet prequalification criteria to be eligible for exclusive feasibility rights?**

Yes

Are our proposed criteria appropriate? Are they complete? If not, what are we missing?

19 We agree with the proposed categories of qualification criteria proposed in the Discussion Paper and consider that this is an important aspect to ensure there is confidence in the sector players to undertake the feasibility activities. MBIE should draw on international experience and already established criteria processes for the New Zealand sector.

20 **How should we consider material changes to permit holders' status and capability? Do you think mechanisms to review permit criteria would be appropriate?**

Any potential review situation should be clearly stipulated in the permit conditions and be transparent to the developer.

Do you agree that a feasibility licence should last for five years with an option to extend for a further two years?

21 A five-year licence should be sufficient for feasibility activities. However, this period needs to incorporate environmental monitoring required by the regulatory authority which may be for a number of years. Similar to resource consents, potentially a 10-year permit period could be considered along with sunset clauses whereby progress needs to be demonstrated by appropriate "use it or lose it" provisions. Resource consents and other permissions may add to the time delay and be outside the developer control.

Do you agree that a feasibility licence should be subject to 'use-it or lose-it' provisions, with permits not exercised within 12-months lapsing? What circumstances would trigger the use it or lose it provisions?

22 INZ supports the inclusion of a use-it or lose-it mechanism and MBIE should use industry input to determine the triggers for this.

How should government best deal with the issue of overlapping applications?

23 In the event that two or more applicants for the same or overlapping areas, it is recommended that those applicants are notified and given an opportunity to resolve the matter by adjusting the area of their applications or uniting to jointly develop the area.
If applicants are unable to resolve this themselves then either the application scoring totals could be used to determine the permit holder or the permit could be awarded based on lottery.

24 **Do you agree that a single national entity should hold responsibility for inviting and assessing applications?**

Yes

25 **Do you agree that the Minister of Energy and Resources, acting on advice from officials, should make the final decision on applications for permits?**

Yes

Do you agree with charging fees sufficient to recover the costs of inviting, and assessing feasibility permit applications, and monitoring permit holders?

26

Yes, we consider it appropriate to charge fees to allow the reasonable cost recovery of administration costs associated with facilitating the permit framework. We also recommend that the fees are set at an amount to ensure that funding is available to support Māori participation in the process, with such funds being directed to those groups providing resources and expertise.

27

What other steps would ensure that processes are transparent and fair for developers?

INZ has no comment.

Do you think that public submissions should be sought on permit applications? What other steps would ensure sufficient opportunity for iwi, hapū, whānau, and stakeholders to inform decision-making?

28

It is unclear what the benefit of public consultation would be at the feasibility stage. As is pointed out, any progression to development would require a full application and consultation process under the Resource Management Act (or replacement) and Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act. Factual information would be available at this stage and the public would have a sound basis on which to lodge their submissions. Additional public consultation could adversely impact the timeliness of the transition to low emission energy sources. Government guidance for feasibility activities would offer a sounder and more consistent basis to ensure there are checks in the system.

Do you agree that permit-holders should regularly report on the progress of their feasibility studies? How frequently should the reporting be?

29

INZ agrees that regular reporting requirements should be imposed on permit holders. An annual basis would seem reasonable, and the scope should be limited to providing information to evidence showing compliance with:

- A) the use-it or lose-it requirements as referenced above; and
- B) any relevant permit conditions.

What reporting standards should the Government set to make the disclosures meaningful?

30

We recommend that government adopts reporting standards which:

- 1) clearly defines the scope of the reporting;
- 2) limits the reporting to essential information which is necessary to determine compliance with permit conditions; and
- 3) does not create undue burden on developers and regulators.

Who should have access to this information? How should it be shared?

31

To the extent that reporting relates to development progress or, for example, evidence of a continued ability to satisfy financial criteria, we recommend that this reporting is not made public. These matters are commercially sensitive in a competitive environment. The government would benefit from full and frank disclosure on a confidential basis.

Do you agree that developers not complying with obligations could face compliance actions, with risk loss of rights to conduct feasibility studies as a last resort? What sorts of non-compliance could lead to the loss of these rights?

- 32 We agree that a failure to comply with permit conditions should lead to compliance actions using the full range of the regulatory compliance model. Permit holders should be given a reasonable opportunity to remedy any breaches. If a permit holder fails to remedy any material breaches, we agree that ultimately loss of permit would be a reasonable consequence.

Chapter 7: Information on existing uses, interests, and values

Are there other uses, interests, and values not covered above that can be readily mapped? What are they?

- 33 INZ has no comment.

Of the uses, interests, and values identified above, which ones do you consider should be prohibitive, ie the existence of those uses, interests, and values in a given area should exclude an area from consideration for offshore renewable energy generation? Why?

- 34 Following a principle of being good neighbours, offshore renewable energy developments should be able to work with other ocean users to enhance the offshore environment, with some exceptions such as offshore mineral mining and bottom trawl fishing.

In many cases, bottom trawl fishing is 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.

What opportunities do you envisage for offshore renewable energy developments and other uses, interests and values to co-exist, or be co-located in the same space?

- 35 INZ has no comment.

How could conflicts with existing uses, interests and values be managed?

- 36 INZ has no comment.

What uses, interests and values cannot readily be mapped? How should these be taken into account when considering the feasibility of establishing offshore wind farms?

- 37 INZ has no comment.

Any other comments?

There is a larger coordination role that is needed to ensure that the investment in offshore wind energy infrastructure is successful. Both offshore and onshore transmission infrastructure is a critical aspect of any offshore wind development. The connection of the energy from this new generation source to the national grid is another aspect that needs forward planning and investment to ensure certainty in the offshore investment. Coordination of other supporting



infrastructure, such as port upgrade, are also a critical component to the establishment of the offshore wind energy sector and its ongoing operation. There is an important role here for government to play and coordinate across the different sectors and players to ensure New Zealand is in a position to meet its emission targets.