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59 Walker Road  
LUMSDEN

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14 December 2008

The Minister of Finance  
The Hon. Bill English  
Parliament Buildings  
WELLINGTON

Dear Minister

Re: Negawatts

At this moment in our economic history it is good to know that you are actively engaged, with other professionals, in setting out a policy of economic activity for New Zealand to ensure the worldwide credit crisis does not result in a severe recession. I realise we will be affected and it is to your credit that you and the Prime Minister have maintained a calm public demeanour and begun to put in place financial policies that will stand us in good stead for the future.

As part of the economic mix I would like you to consider a policy of 'negawatts'—a watt saved is a negawatt. Just as the former government rightly decreed a 10 year moratorium on the building of thermal power stations it would be very timely for you to require all energy companies to invest in energy efficiency in all spheres before they are allowed to build any more dams or industrial windfarms. This is the practice in a number of American states and has many benefits, not least of which being job creation (<http://www.nytimes.com/2008/10/20/business/20green.html>). A modest negawatt campaign by the major energy companies averted a power crisis last winter. That campaign, writ large and combined with the Right House/Warm Homes blueprints has the potential to be a very powerful economic boost while being fiscally neutral.

At last count, the costs of actual and proposed industrial windfarms plus the associated grid upgrades are climbing to more than 12 billion dollars (\$12,000,000,000). As I went beyond that number my head started to hurt. Consumers of electricity are being subjected to the double-jeopardy of unconstrained power price increases and the imposition of this huge, unnecessary debt burden.

A possible example of negawatts would be Meridian's Right House initiative where the energy audit and retrofit are done by suitable companies such as the Plumbers' Association or Mitre 10. The alternative to subsidies (which I think have a place for those in need of a 'hand-up') would be the ability to pay for the retrofit through the power account. As the retrofit would result in a significant reduction in the account, the balance would be taken up by the repayment, making it fiscally neutral. To ensure fairness to the consumer a policy of 'block' or 'progressive' pricing needs to be put in place as a reward and incentive for staying within an allocation of power. This allocation would reflect historical requirements for spring or autumn at a rate based on, for example, that which is paid at the first of January this year, with inflation indexing only. If the

consumer used more than their allocation the price should reflect the true cost of providing extra hydro or thermal electricity. Any savings within that allocation would belong to the consumer. The account stays with the building, whether owned, rented or leased, reducing the subsidies required to increase uptake of this initiative, and would apply to all buildings whether domestic, commercial, industrial or public.

With house prices currently tracking downwards, energy efficiency upgrades to the over 300,000 'cold' homes in New Zealand have to be a positive point for those buying or selling. The rewards, economic, social, and environmental, are enormous. Jobs will be created, health and educational outcomes improved and impacts on the environment reduced. The EECA Report 2006/7 lists the carbon, financial, and environmental savings to be made by simply changing the most used bulbs to compact fluorescents saves the output of the Clyde Dam or the energy requirements of 200,000 homes, costing (my calculation) about \$20 million and providing a buffer in times of need.

Hayes Wind Farm will cost over \$2 billion, be less efficient, not deliver any energy conservation, carbon reduction, or better health outcomes and will require more hydro and thermal backup for frequency keeping. There are many other examples of significant energy savings and distributed energy alternatives to ensure that New Zealand has enough energy to meet its future needs without destroying the last of our wild rivers or world-renowned landscapes.

Sustainable renewable energy from hydroelectricity is unfortunately a myth, as even the most cursory analysis of the literature will reveal. It is imperative therefore that we use the present sources of hydroelectricity frugally whilst we encourage and support those who design alternative sources of energy that don't cost the earth.

The former Minister of Energy, the Hon. David Parker intimated in a letter to me that requiring energy companies to invest in negawatts was a distinct possibility in the future. The future is now, I am sure you agree!

I look forward to your response.

Yours in conservation,

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