

3 June 2015

Climate Change Contribution Consultation
Ministry for the Environment
PO Box 10362
WELLINGTON 6143

via e-mail: climate.contribution@mfe.govt.nz

Re: New Zealand's climate change target

Thank you for the opportunity to provide comment on 'New Zealand's Climate Change Target – Our Contribution to the New International Climate Change Agreement' (**the discussion document**).

Contact Energy Limited (**Contact**), supports New Zealand doing its fair share to reduce global emissions while ensuring New Zealand's contribution is affordable to families and businesses.

As the paper sets out, New Zealand faces unique challenges as we seek to reduce our emissions. We already have one of the highest rates of renewable electricity generation in the world at around 80 per cent, and the single largest contributor to New Zealand's emissions profile – agriculture – currently has few viable options for reducing emissions in the short term. However, even with these parameters scope exists for New Zealand to play its role. Options like orientating New Zealand's vehicle fleet towards electric vehicles, run on renewable electricity, provide an opportunity for New Zealand to make a meaningful, positive contribution to climate change, which at the same time do not risk our exports becoming uneconomic. We would encourage the Government to think about options for encouraging uptake of electric vehicles, particularly amongst the fleet sector.

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| Question 1 (a) | Do you agree with the above objectives for our contribution? | Contact agrees with the objectives set out in the discussion document. New Zealand already has a very high proportion of renewable electricity and, as set out in the Ministry of Business, Innovation and Employment's (MBIE's) electricity demand and generation scenarios (EDGS), this is only set to increase over time. However, there is still an important role for thermal firming to play in covering times of low rainfall or when the wind isn't blowing. Thermal firming capacity plays an important role in New Zealand in that, without it, New Zealand would have to significantly over-build generation to cover the issues above and the lower capacity factors of generation such as wind. |
| Question 1 (b) | What is most important to you? | Contact believes each of the objectives has a role to play. |

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| <p>Question 2</p> | <p>What do you think the nature of New Zealand's emissions and economy means for the level of target we set?</p> | <p>Given the nature of New Zealand's emissions profile and the basis of New Zealand's economy, any target must be set at a level that is both meaningful and achievable. Options like orientating New Zealand's vehicle fleet towards electric vehicles, run on renewable resources, provide an opportunity for New Zealand to make a meaningful, positive contribution to climate change, which at the same time do not risk our exports becoming uneconomic.</p> <p>It would seem unlikely that, in a world with falling to flat demand, further reductions are likely to come from the electricity sector.</p> |
| <p>Question 3</p> | <p>What level of cost is appropriate for New Zealand to reduce its greenhouse gas emissions? For example, would it be a reasonable reduction in annual household consumption?</p> | <p>Contact is a firm supporter of market mechanisms to bring about efficient changes to market behaviour. While pricing is an important factor in helping bring market efficiency we do not believe that a direct price for carbon in customers' electricity will drive behaviour change that will have a material impact on New Zealand's greenhouse gas emissions. Instead, a set of mechanisms will be required that is inclusive of price but not exclusive to other policy incentives.</p> <p>Contact supports the use of international carbon markets to help meet New Zealand's target.</p> |
| <p>Question 4</p> | <p>Of these opportunities which do you think are the most likely to occur, or be important for New Zealand?</p> | <p>As the consultation document sets out, a very high proportion of New Zealand's electricity is already renewable. Where we see opportunities is in the likes of electric vehicles that are able to use already existing infrastructure and charge on New Zealand's highly renewable electricity network.</p> <p>It would be useful for the Ministry for the Environment to review MBIE's EDGS and the submissions it has received on this. The submissions specifically cover what MBIE and submitters see as likely to occur.</p> |
| <p>Question 5</p> | <p>How should New Zealand take into account the future uncertainties of technologies and costs when setting its target?</p> | <p>Our understanding is that the proposed global agreement will allow for countries to increase their ambition over time, enabling New Zealand to take into account future uncertainties.</p> |

Please contact me if you have any questions regarding this submission.

Yours sincerely



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