



3 June 2015

Climate Change Contribution Consultation
Ministry for the Environment
P O Box 10362
Wellington 6143

By email: climate.contribution@mfe.govt.nz

Dear Sir / Madam

RE: Climate Change Contribution Consultation

Pioneer appreciates the opportunity to make submissions on the Ministry's consideration of a climate change target for New Zealand to reduce greenhouse gas emissions after 2020.

Background on Pioneer Generation

Pioneer owns 13 hydro power stations, 2 wind farms, two landfill gas electricity facility, 1 co-generation plant and 80MW of thermal heat plant on 15 industrial and institutional customer sites, each one CEMARS accredited under Landcare's international monitoring and measurement programme. Pioneer's power plants have a total capacity of approximately 30MW_e and generate around 300GWh per annum. Pioneer's power-generating assets are all embedded within local distribution networks – referred to as distributed generation.

Pioneer also has a strong focus on energy efficiency – offering products and services to residential customers that assist them to efficiently use electricity. We offer business customers the opportunity to efficiently use other forms of energy, such as biomass, wood waste and heat, in their food processing and manufacturing operations.

Pioneer is owned by the Central Lakes Trust and over the 12 years since inception the Trust has distributed over \$60 million to local community initiatives.

Regulatory environment for distributed generation

Pioneer supports the Government's Emissions Trading Scheme and the target that 90 percent of electricity generation be from renewable sources by 2025 (in an average hydrological year) providing this does not affect security of supply. We note that these initiatives have been key policy tools for reducing emissions in New Zealand to date.

These policy tools provide appropriate signals for investment in renewable generation. Pioneer continues to investigate and commission new generation capacity which reduces greenhouse gas emissions (eg Oamaru landfill gas to electricity plant in the Hawkes Bay) and wind farms (eg Flat Hill near Bluff). These plant are directly connected to the local distribution network resulting in less losses from transporting the electricity over distribution and transmission networks compared with utility scale grid connected generation plant.

Pioneer's investment in new distributed generation assets over a number of years have been made on the basis of a long standing regulatory environment put in place by central government which recognises the value of distributed generation to the electricity supply chain. Distributed generation using renewable resources is also, obviously, making a positive contribution to the Government's climate change targets.

The purpose of this submission is to bring to your attention that reviews by the Electricity Authority of the regulatory settings for transmission and distribution charges have the potential to have a significant

negative impact on the financial viability of existing and new distributed generation. We are concerned that this will have a negative impact on achievement of a significant national climate change target that is important for New Zealand's international reputation.

Distributed generation accounts for approximately 850MW of generation capacity in New Zealand¹. This is more than the capacity of the e3p combined cycle gas turbine electricity generating plant near Huntly (385MW) and the combined capacity of recently commissioned geothermal generating stations – Nga Awa Purua, Ngatamariki and Te Mihi (at 388MW).

New Zealand's post 2020 climate change target

Pioneer recommends that the Government sets a target that it is committed to achieving and that it believes it can achieve through implementation of a combination of regulatory settings.

A credible and achievable target is important for New Zealand's international reputation in the climate change area. Our climate change target is also relevant for our reputation in international trade as New Zealand's primary sector exports are processed using a significant amount of electricity and heat.

The Government must take a long term position relating to climate change and reducing emissions. Thermal processing plant are long life assets, with design life's in excess of 30 years, and generally only suited to a narrow selection of thermal fuels. So it is very important that any climate change policy ensures early stage design incorporates low emission fuelling decisions if NZ is to meet its long term obligations. This aspect of long life assets is very well understood in other countries that out-perform NZ in reducing carbon emissions. A review of policy settings every five years, with the potential for major changes every review period, makes it very difficult to commit to long life assets. Pioneer had direct experience of impact of the decision to continue with the ratio of emission reduction units per unit of GHG emissions (2:1) - this change stalled the development of the wood waste for energy business.

The Government has the opportunity, or obligation, to show leadership in efforts to reduce emissions. (We understand the Australian government is implementing policies that demonstrate this leadership position.) For example, in the transport sector the Government vehicle fleet could increasingly be electric vehicles. This isn't about 'picking winners' but making procurement decisions which take into account a wider range of government objectives and a long term approach to the costs and benefits of the investment.

I would welcome the opportunity to discuss this submission with you.

Yours Faithfully,



Fraser Jonker

Chief Executive

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¹ Source: Electricity Authority Working Paper - Transmission Pricing Methodology: Avoided Cost of Transmission (ACOT) payments for distributed generation, 17 January 2014, available at <http://www.ea.govt.nz/development/work-programme/transmission-distribution/transmission-pricing-review/consultations/#c7428>