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Energy Resources Markets Branch
Ministry of Business, Innovation and Employment
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SUBMISSION on the Ministry of Business, Innovation and Employment's "Gas Transition Plan Issues Paper"

1. Introduction

Thank you for the opportunity to make a submission on the Ministry of Business, Innovation and Employment's (MBIE) "Gas Transition Plan Issues Paper" (the Paper). This submission is from Consumer NZ, an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa. Consumer has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

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2. General Comments on the Paper

Rather than answering the questions in the Paper, we wish to make the following general comments.

Improving energy efficiency

We consider improving energy efficiency and facilitating a move away from fossil fuel use through increased electrification will help reduce

emissions, lower household energy bills and improve wellbeing. It will also lower both demand-side and supply-side costs.¹

Aotearoa's first emissions reduction plan (the Reduction Plan), states "Improving our energy efficiency – using less energy to perform the same task – can reduce emissions and costs... Energy efficiency can also improve our wellbeing by reducing household energy bills." We agree.

We also think more affordable and accessible electricity will help reduce the health impacts (such as severe respiratory and cardiovascular problems, and mental health issues) of energy hardship.²

The Electricity Networks Association's research suggests that over the next 20 years, gas appliances and fixtures are going to cost consumers more than their electric counterparts. It says households that are fully electric could save thousands of dollars a year in the long-term compared to households that use a combination of electricity and gas.³ In our view, this is partly because households that use a combination of electricity and gas will bear the costs of maintaining infrastructure for two sectors, but households that are fully electric only have to factor in the infrastructure costs of one sector.

MBIE's own data has indicated that residential consumption only makes up 5% of natural gas use.⁴ In our view, this creates an ideal scenario for an easier transition towards fully electric households.

More Government support and investment required

We support the Government's vision of having a highly renewable, sustainable, and efficient energy system that is accessible and affordable, secure and reliable and supports New Zealanders' wellbeing.

¹ New Zealand Government, "Te hau mārohi ki anamata Towards a productive, sustainable and inclusive economy", 16 May 2022, page 209, <https://environment.govt.nz/publications/aotearoa-new-zealands-first-emissions-reduction-plan/>.

² Ministry of Business, Innovation & Employment, "Energy Hardship Outcomes Framework and Focus Areas", November 2022, <https://www.mbie.govt.nz/dmsdocument/22233-energy-hardship-outcomes-framework-and-focus-areas#:~:text=Health%20impacts%20from%20energy%20hardship,problems%2C%20and%20mental%20health%20issues.&text=Estimates%20of%20the%20levels%20of,increases%20are%20exacerbating%20energy%20hardship>.

³ Pratley, Vanessa, "Electrify your life", Consumer NZ, 620 WINTER ISSUE 2023, page 21.

⁴ Ministry of Business, Innovation & Employment, "Energy in New Zealand 2023", August 2023, page 34, <https://www.mbie.govt.nz/dmsdocument/27344-energy-in-new-zealand-2023-pdf>.

However, to achieve this, we consider more Government support and investment is required. Acceleration and development of new renewable electricity generation and ensuring the electricity system and market can support high levels of renewable energy is integral to a decarbonised future for Aotearoa.⁵

Regulatory changes

Alongside increased Government support for better infrastructure to support the electricity sector, we consider regulatory changes are required to facilitate a smoother transition to a greater number of fully electric households. For example, the Residential Tenancies (Healthy Homes Standards) Regulations could be amended to require landlords of residential properties to replace old gas appliances with electric ones, over time.

Residential tenants often have little control over whether they use gas or electric appliances in their homes. It is also common consumer behaviour to replace appliances that have broken down with a like-for-like product. Unless there is Government intervention, we don't think there is enough incentive for landlords to replace gas appliances with electric ones.

We also consider that regulatory amendments are needed to improve energy efficiency for building and construction, for example by amending the Building Code. We support the proposals in the Reduction Plan which set out initiatives for reducing building and construction emissions, such as focusing on reducing embodied carbon of buildings, and reducing the operational emissions through improved building designs.⁶

A reduction in energy and industry emissions will help reduce emissions in other sectors, such as building and transport, and help create new economic opportunities, and ultimately reduce demand-side costs by using less energy to perform the same tasks.⁷

⁵Transpower, "A Roadmap for Electrification Decarbonising transport and process heat", 10 February 2021, page 211, https://static.transpower.co.nz/public/uncontrolled_docs/Transpower_Electrification%20Roadmap_S GREEN3_LR.pdf?VersionId=zWH7t3oyvYzkljWnYDJRrEvKXePWom6n.

⁶ New Zealand Government, "Te hau mārohi ki anamata Towards a productive, sustainable and inclusive economy", 16 May 2022, Chapter 12, pages 225 – 244.

⁷ New Zealand Government, "Te hau mārohi ki anamata Towards a productive, sustainable and inclusive economy", 16 May 2022, page 209.

We think there is the potential for consumers to transition to rely fully, or predominantly, on electricity to meet their energy needs. However, the electricity sector in Aotearoa currently lacks the capacity to support such high levels of electricity use. There are also high costs involved to becoming a fully electric household, for example, the cost of disconnecting from reticulated gas, and the cost of purchasing an electric car. These costs may prevent consumers switching to a fully electric lifestyle and are likely to be a significant barrier to low-income households. Those that can afford the transition will reap the benefits of lower energy costs whereas people living in poor quality housing, and driving older, non-electric cars, will continue to be faced with higher energy costs through no fault of their own. Government support and further regulatory changes are needed to help consumers transition away from gas.

Consumers also need access to better information about the long-term benefits of a fully electric household, and ways to transition to one. We encourage consumers to keep using their gas appliances. However, when a replacement is required, we suggest consumers consider replacing the appliance with an electric one. A change in consumer behaviour is also needed and could be facilitated, for example through the regulation of new gas appliances entering the domestic market and the greater provision of information on the broader benefits of going electric.

While sector specific regulatory changes are needed to support a transition away from gas, ultimately, this needs to be achieved alongside the development of transmission and distribution infrastructure to “provide Aotearoa with greater energy independence”.⁸

Thank you for the opportunity to provide comment.

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⁸ New Zealand Government, “Te hau mārohi ki anamata Towards a productive, sustainable and inclusive economy”, 16 May 2022, page 214.