

Submission by



to the

New Zealand Infrastructure Commission

on the

Infrastructure for a Better Future

Consultation Document

June 2021

**INFRASTRUCTURE FOR A BETER FUTURE
CONSULTATION DOCUMENT
SUBMISSION BY BUSINESSNZ AND THE BUSINESS ENERGY COUNCIL¹**

1.0 Introduction

- 1.1 BusinessNZ (BusNZ) and the Business Energy Council (BEC) welcome the opportunity to comment on New Zealand Infrastructure Commission's *Infrastructure for a Better Future Consultation Document* - May 2021 ("the Consultation Document").
- 1.2 We would like to congratulate the Infrastructure Commission on the quality of the Consultation Document and the clarity with which it deals with the many and various strands relating to infrastructure in New Zealand.
- 1.3 The importance of fit for purpose infrastructure to all New Zealanders is generally well understood and the Consultation Document outlines a number of concerns with our current infrastructure deficit. From small business through to the largest exporters, well-functioning infrastructure is essential if New Zealand is to compete successfully on international markets as well as provide goods and services to the domestic population in a timely and cost-efficient manner.
- 1.4 The Consultation Document covers many issues with which BusNZ is in fundamental agreement and so are not addressed further in this submission. BusNZ and BEC are generally supportive of most, but not all, of the "List of Options" outlined from pages 120 – 145, although notwithstanding our general support, we do have some specific concerns about some of the options. In no particular order of priority these concerns relate to water, natural hazards and climate change, waste and energy and are discussed in more detail below.
- 1.5 Given the diversity of our membership, some members will have specific issues which they may wish to comment on in more detail. Therefore, we have encouraged individual members to make their own submissions raising issues specific to their areas of expertise.

¹ Background information on BusinessNZ and the Business Energy Council is attached as Appendix 1.

- 1.6 We would welcome the opportunity to meet with the Infrastructure Commission to discuss our submission and provide further feedback as the Commission develops its Draft Infrastructure Strategy to be provided to the Minister for Infrastructure in September this year.

2.0 **Issues**

What we have heard so far (p.6)

- 2.1 It is noted that the Infrastructure Commission states that through 'Our Aotearoa 2050' survey one of the key issues was that "Our environment is the top priority when it comes to making infrastructure decisions".
- 2.2 While we acknowledge that this was simply a survey of views, it is important that the context for responses is clearly understood.
- 2.3 We consider it important that the 4 well-beings outlined in the Consultation Document (economic, social, environmental, and cultural) are all given adequate consideration in any major infrastructure decision-making along with the understanding that, in most cases, some trade-offs will be necessary to maximise overall economic welfare for New Zealanders as a whole.

Proposed outcomes and principles (p.8)

- 2.4 In broad terms, we strongly support the Principles and Outcomes outlined on page 8, namely that infrastructure investment decisions should be efficient, equitable, and affordable, alongside the five decision-making principles that infrastructure should be future-focused, transparent, focused on options, integrated and evidence-based.
- 2.5 There are five points in relation to the principles we would like to make. Firstly, the importance of evidence-based policies should not be underestimated. In this respect we consider that the Government and/or regulators should not be picking "preferred industries", but rather seen to be facilitating a diversity of supply so that the market can then decide on quality, price, service and importantly, other factors such as environmental credentials.
- 2.6 Second, we would like to stress the importance of having integrated thinking. We see this principle as a major area for improvement for all areas of government policy from climate change through to the infrastructure space (i.e. are regulators "talking" and exchanging the right data sets with each other and engaged in joined up thinking before they propose overlapping

policy to the private sector?). Local Government could equally be included in here as well.

- 2.7 Third, we believe that in addition to the current principles there should be an additional principle of **Accountability** – to act in the best interest of all New Zealanders and ensure that decisions represent value for money.
- 2.8 Fourth, we consider that the principle of **Financial Sustainability** should be included – to ensure quality investments that are financially sustainable. This is particularly important given the impact of COVID-19.
- 2.9 Fifth, we would like to raise the importance of understanding that there is just so much risk that can be accommodated given the costs and trade-offs which must necessarily be made in any infrastructure investment. On the one hand a gold-plated service can reduce risk but does come at a cost. In this respect, it is important that individuals and communities be allowed to make reasonable trade-offs they are happy to make, understanding the costs and benefits associated with their preferences. A one-size-fits-all approach may not necessarily reflect the preferences of individuals and communities. Therefore, we strongly support the Consultation Document's emphasis on the desirability of options to meet specific objectives and that users of infrastructure should be aware of the costs and benefits associated with different options. We also strongly support a rigorous cost/benefit analysis for assessing alternative investment options. (See Consultation Document pages 112 – 115).

Getting the price right (p.13)

- 2.10 We generally agree with the proposals outlined on p.13 for getting the price right by better enabling demand to be managed, particularly in respect to congestion pricing, water metering, and waste-disposal charges reflecting the true cost of disposal to landfill.
- 2.11 The benefits of water-metering, although not used extensively throughout NZ yet, are generally well known in areas where this has been introduced. Water-metering encourages better decision-making in relation to the use of resources where the costs and benefits of use are made explicit to users.
- 2.12 Some councils and some other organisations have introduced volumetric charging for water use and smart meters for electricity use. This has had a significant impact, allowing for significant cost savings by delaying infrastructure upgrades and through the better management of peak demand.

- 2.13 The effectiveness of councils in using new technologies to manage infrastructure assets has, however, varied; some have been proactive while others have succumbed to political pressure and largely retained the status quo in relation to pricing and asset management.
- 2.14 With waste reduction, it is important to recognise there is a limit to the amount of resource that should be used for waste reduction purposes. Waste cannot be eliminated completely, other than at great cost.
- 2.15 We note the Consultation Document (p.13) states that pricing strategies can enable demand to be better managed, for example, through including the full cost of carbon in infrastructure business case appraisals and decision-making. We have some concerns with this approach. Provided emissions are adequately covered by the Emissions Trading Scheme (ETS), authorities should be agnostic as to which specific projects should be supported.
- 2.16 Therefore, when it comes to meeting our domestic and international obligations to reach net zero carbon emissions by 2050, we consider the focus should be on:
1. Net emissions and not gross emissions
 2. The ETS as the sole tool except where it can be clearly demonstrated that further interventions will have net benefits
 3. Any supporting policies should be outcome focused and technology agnostic
 4. Bans and interventions should be avoided as typically they increase cost for no gain given the ETS cap
 5. The importance of lowest cost abatement as cost matters to the wellbeing and livelihood of New Zealand families and businesses.

Water (p.35)

- 2.17 It is noted that the Consultation Document talks about the governance and regulatory reforms proposed as intended to provide greater efficiency and safety. It is assumed that this is targeted particularly at the "3-waters" reforms.
- 2.18 More widely, freshwater is an important input into both hydro-generation and irrigation in New Zealand, also having input into a wealth of other business and industrial production activities.

- 2.19 It is noted that the Government is in the process of overhauling the Resource Management Act (RMA). In respect to water, and particularly the allocation of water, the Randerson Report (2020) makes the very important point that (while outside its terms of reference) *".....it would be desirable for the Crown and Maori to address and resolve [iwi rights and interests] sooner rather than later. Without such a solution, we believe the allocation and use of water rights will continue to pose significant difficulties for all those involved in the system."* While the Report talks a little about freshwater allocation mechanisms and approaches, it very much kicks for touch in making the hard allocation decisions and leaves these for future planning to come up with solutions. This is unacceptable and just continues the uncertainty businesses have had to face for years in respect to the use of what is a major economic resource. While flexibility is to some extent appropriate in making allocation decisions (as each region is different in terms of water quantity/quality), the Government needs to grasp the nettle and move forward in implementing approaches such as agreed by the Land and Water Forum for water to flow to its most highly valued uses via trading and transfer, provided environmental quality standards are not unduly jeopardised.
- 2.20 Without a clear direction on water allocation, investment in infrastructure requiring freshwater may be jeopardised or suppliers will want a greater return on their investment to deal with natural resource use uncertainty. This also will not be helped by the Randerson Report's suggestion that in general the (current) maximum consent period of 35 years is too long.

Natural hazards and climate change (p.39)

- 2.21 We note several proposals relating to natural hazards and climate change management with an underlying theme of the necessity for greater control of what and where infrastructure should be built.
- 2.22 We are concerned that the ability of individuals and businesses to make decisions as to where to live and invest is not unduly jeopardised through inappropriate controls and regulations.
- 2.23 There are several ways local and central government can manage risks, alongside the normal risk management role of insurance-markets.
- 2.24 Firstly, if the costs and benefits of individual decision-making can be largely internalised, then blanket controls over what people can or cannot do regarding locations for buildings/activities etc are unnecessary. The matter is an issue best left up to individuals and some case law has supported this

approach. Secondly, those proposing any such rules need clear incentives to compensate for the loss of value to anyone affected by a managed retreat. If not, there will be a temptation simply to restrict activities with the costs borne largely by the businesses affected.

- 2.25 It is important to understand that there is an optimal amount of resource which should be utilised to reduce risk from natural hazards, just as there is an optimal amount of resource that should be spent on crime prevention, health interventions etc. The crucial and undeniable fact is that resources are limited, and risk cannot be completely eliminated or if it can, not without great cost. While it might be possible to reduce risk, beyond a certain point, the marginal cost of taking action becomes progressively higher while the potential returns reduce. Therefore, it pays for companies and individuals to invest in risk minimisation strategies only up to the point at which the marginal cost equals the marginal benefit.
- 2.26 Often, market-based mechanisms for determining risk will be far more effective than council-controlled outcomes and will fairly reflect the actual risk associated with hazards. For example, in a competitive insurance market, individuals and businesses seek competitive quotes when dealing with hazardous situations. In some cases insurers may be unwilling to insure a building at all if the situation is considered too hazardous. This approach naturally incentivises people to assess the costs and benefits of building in areas where natural hazards have been identified. However, it is acknowledged that while insurance may incentivise people to assess the cost of building in riskier areas, insurers are pricing risk for the year ahead and so short-term signals may sometimes be muted regarding long-term risks.
- 2.27 As a general principle, individuals and companies should bear the full cost of their behaviour (i.e. cost should be internalised). Over-consumption of resources is always likely if the cost can be shifted on to third parties. Management of land use - and risk - is no different. If individuals and companies are to make rational decisions about land use, they should ideally bear the cost (and benefits) associated with specific options/outcomes. If, on the other hand, individuals and companies are forced to pay a greater amount than any cost they impose, the outcome will either be a more expensive product and/or reduced commercial activity, with associated flow-on implications for employment etc.
- 2.28 Provided individuals are reasonably informed about known and potential risks, they should be free to go about their lawful business. This can, for example, include developing housing on potentially flood-prone land provided any potentially adverse effects on third parties can be mitigated.

- 2.29 Notwithstanding the above, there will be cases where individual councils might need to make decisions restricting potential building site and/or land use options if there is a clear public benefit in doing so – in the above case, such as the potential impact on communities and third parties should significant flooding occur. However, such restrictions should be imposed on a local case-by-case basis, not nationally.

Efficient pricing of waste (p.53)

- 2.30 We note the Consultation Paper outlines some of the potential opportunities for using infrastructure to improve the way we deal with waste in NZ.
- 2.31 We are very supportive of a range of mechanisms for improving the pricing signals to consumers, households and businesses about the true costs associated with waste going to landfill, dealing with various forms of waste is complex and goes well beyond simply saying “all waste is bad and less waste is better”. There are many different types of waste, some harmful to the environment and the wider economy and other material which is largely inert and has little if any long-term impact on economic or environmental outcomes. It is therefore important that all so-called waste is not simply lumped into the same basket.
- 2.32 It is noted that the Government’s recent review of the landfill levy for waste states that *“The Government wants to minimise waste and encourage a more efficient use of resources by moving from a linear ‘take, make and waste’ economy to a circular economy approach where resources are cycled (make, use, return) with waste designed out of production. This is part of a longer-term goal of moving to a low-emissions, sustainable and inclusive economy for New Zealand.”*
- 2.33 We acknowledge the Government is endeavouring to address the greater amount of waste going to landfill by advocating an increase in the waste levy and its extension to a greater number of landfills.
- 2.34 But notwithstanding the above, we have three broad concerns relevant to the general discussion of waste reduction regarding both the waste levy’s level and its expansion:
1. The need to understand the nature of the risk the levy increase and expansion are intended to address.
 2. The importance of having appropriate infrastructure in place to ensure greater recycling and re-use given that lacking appropriate infrastructure,

the expansion of the levy to a wider set of landfills, as well as any levy increase, will simply act as a tax, with no meaningful impact on waste going to landfill.

3. The need to ensure waste levy funds raised are used appropriately.

Understanding the nature of the risks which the levy expansion and increase are intended to address

- 2.35 We assume the rationale for levies on waste above normal commercial landfill charges is to deal with any potential externalities associated with waste disposal, although it is not clear what externalities are not already captured by current waste disposal landfill charges. The recent NZIER report² to the Ministry for the Environment (MfE) noted that:

"Landfilling has been associated with a range of adverse environmental effects, including discharges to air (greenhouse gas emissions and some local air pollutants), discharges into ground/water (leachates of heavy metals) and general nuisance effects such as noise, odours, lighting and attraction of vermin. Apart from greenhouse gases and discharges to water which may spread widely, these effects are highly localised. Siting landfills away from areas of habitation reduces their economic and environmental cost, offset partly by the consequent need to transport waste over longer distances from source to destination.

The international evidence suggests that the economic cost of these environmental effects is also relatively low, at least from modern landfills with management systems to contain the adverse environmental effects. There will be exceptions to this." (p. ii).

- 2.36 Externalities, or spillovers, lead to a divergence between private and social (public) costs and benefits, where private refers to the costs and benefits to those participating in market transactions, and social, to the costs and benefits to all members of society.
- 2.37 Where externalities exist, market resource allocation may not be efficient. Individuals and firms that do not bear the full cost of the negative externalities they generate will engage excessively in such activities. Conversely, since individuals and firms do not reap the full benefit of activities generating positive externalities, they will engage less in those activities than is socially optimal.

² New Zealand Institute of Economic Research – Waste Levy Extension Estimates of extending and raising levy. NZIER report to Ministry for the Environment (November 2019)

- 2.38 Governments can respond to externalities in several ways. With mainly negative externalities, governments can attempt to regulate, impose a levy or tax the activity in question. Alternately, they can encourage activities where positive externalities are created, for example, through subsidies, by making cash payments or by providing other support mechanisms to people participating in those activities. Often such encouragements are output-based and intended to increase the positive externalities' production or supply.
- 2.39 Before imposing greater cost on material going to landfill, there is a need to be much clearer as to what the specific environmental, social and economic costs of waste disposal are. For example, encouraging, where practicable, materials to be reused and recycled is very desirable and laudable but assuming levy imposition will encourage more employment is simply fallacious. While in respect to recycling and waste reduction-associated activities employment increased, this would simply involve a re-allocation of employment from other areas of job growth. It would be like saying the devastating Christchurch earthquakes, which resulted in massive building damage, created a boom for reconstruction in Christchurch. Rather, they merely saw resources redeployed from other areas of the economy.
- 2.40 The above notwithstanding, it is important to recognise there is an optimal amount of waste reduction. For any reduction effort - crime prevention, road safety etc – there is only so much resource that can be spent before the cost of reducing the risk outweighs the cost of the problem itself. It is the same with waste; waste cannot be eliminated completely, other than at great cost.
- 2.41 Clearly the total cost of time, energy and money needs to be considered when deciding between disposing of waste in landfills and the types of products that may be worth recycling. It is important that in seeking to reduce physical waste we do not also waste resources (time, energy, money) by diverting them from other, more valuable, uses.
- 2.42 Also of importance is that waste disposal will be driven by a significant range of factors e.g. the changing nature of the economy (new products/processes etc.), the extent of economic growth and the nature of the industries driving the growth. Given the range of factors involved, including but not limited to competitive pressures, it is unlikely growth in the economy will necessarily lead either to a uniform reduction or to a uniform increase in the production of waste.

- 2.43 Therefore, whether the amount of waste to be disposed of increases or decreases will not, of itself, show a waste levy as either effective or ineffective.
- 2.44 We consider much more effort needs to be made to send households economically transparent pricing signals for rubbish collection and disposal. Many councils still fund these out of general rates so there is little apparent connection between the amount of rubbish disposed of and the costs faced by households. A significant improvement in pricing is required before considering interventions such as an increased and/or expanded waste levy. This point was made very strongly in the Australian Productivity Commission Waste Management report: *"Getting prices for waste disposal right will help reduce waste generation and achieve an appropriate balance between disposal and recycling. Basic forms of 'pay as you throw' pricing for municipal waste, such as charging for larger bins or more frequent services, should be more widely adopted."*

The importance of having appropriate infrastructure in place to ensure greater recycling and re-use

- 2.45 Any changes leading to the adoption of increased waste levies and/or expansion of coverage must reflect the nature of products and their respective markets.
- 2.46 We consider that before making any decision, care is taken to ensure market processes, and the cost of necessary infrastructure, are clearly understood.
- 2.47 New Zealand is a mountainous country with a relatively low population base of 5 million. While, significantly, close to 2 million people live in the Auckland region, generally, the population base is widespread, particularly in the South Island, and therefore likely to make greater recycling, or at least, ensuring most product is captured within a scheme, at times impractical.
- 2.48 Given a small and widespread population base, there will likely be instances where it will be economically impractical to require greater reuse/recycling. The sheer cost of moving, say, tyres from an isolated area for recovery/recycling etc. must be considered. As noted, there is an optimal amount of waste; 100% recovery for products at their end of life will likely be impractical.

- 2.49 While some recycling facilities are reasonably well-developed, others are in their infancy or in many cases, non-existent. For example, we understand a considerable amount of work has gone into researching opportunities for recycling tyres and that Waste Management has developed a recycling plant in Auckland, with assistance from the Waste Minimisation Fund, which potentially could safely process around 50% of NZ's end-of-life tyres.
- 2.50 Increasing levies on waste going to landfill and expanding coverage without the necessary infrastructure to deal effectively with end of life, or legacy products would be largely self-defeating.
- 2.51 In the past there has been concern about the cost and viability of the infrastructure required to allow for greater resource recovery/recycling.
- 2.52 Significant infrastructure, with taxpayer funding, will likely be necessary given the current doubtful returns from many resource recovery and recycling initiatives.
- 2.53 However, it may be possible for government, in tandem with industry, to set up recycling or reprocessing hubs around the country for materials collection, collation, and if need be, processing so that:
- Larger quantities of materials can be consolidated locally with no need to ship small quantities long distances;
 - Account is taken of the need for economies of scale and economic viability; and
 - Businesses relying on such collected material – the collection of secure and steady volumes of certain materials - can be co-located in the recycling/reprocessing zone or hub.
- 2.54 But there must be a degree of certainty about the economics of the infrastructure investment involved, particularly if the private sector is to be prepared to invest.

Appropriate use of waste levy funds raised

- 2.55 We have been concerned since the introduction of the Waste Minimisation Act 2008 that 50 percent of the waste levy is allocated to territorial authorities for waste minimisation purposes with the remaining 50 percent, minus administration costs, allocated to a contestable fund.

- 2.56 It seems there has been little effective monitoring of either the allocation of monies to territorial authorities or to the contestable fund. Has the funding materially affected waste minimisation or achieved the objectives of the Waste Minimisation Act by reducing environmental harm and improving economic efficiency? There is a need to know.
- 2.57 Without appropriate controls on funding allocation, how the funding has been allocated might have had the undesirable effect of simply taxing greater amounts of waste going to landfills, including largely inert material, without addressing the so-called economic social and environmental effects of waste.
- 2.58 We are pleased the Government has partially recognised the failings of current levy allocation and is looking at a levy investment plan.
- 2.59 Notwithstanding the above, there is a strong argument that those who pay, or are to pay, the lion's share of the waste levy should have some say in how the funds raised are allocated, particularly given a government objective in proposing to raise and expand the waste levy is to reduce the amount of waste going to landfill. This suggests assistance should be offered to those principally responsible for landfill waste to enable them to reduce the amount of waste involved through the appropriate use of waste levy funds.
- 2.60 Currently, there is little or no relationship between those who must pay the waste levy and those who receive funding from the levy. Given the Government has supported significant increases in levy rates over the next few years, there is an even greater need than in the past for a better relationship between levy payers and levy recipients.
- 2.61 The danger is that raising and expanding the waste levy will simply turn it into another tax with little or no influence on waste minimisation. Tying a significant proportion of the waste levy collected to those largely responsible for producing the waste in the first place would make a serious reduction in the amount of waste going to landfill more likely.

Energy (Pages 54-61)

Managing increasing energy demand

- 2.62 We agree with the Infrastructure Commission that New Zealand's "*Energy production from renewable sources will need to increase substantially to meet*

*a growing demand for electricity and clean energy.*³ BEC have produced a bottom-up model of NZ's future energy system selecting least-cost options to meet projected demand. The model explores two possible scenarios: Kea (cohesive) where climate change is considered the most pressing (individualistic) issue and (Tui) where climate change is one of many important priorities. BEC's modelling⁴ shows that electrification across all sectors results in electricity demand roughly doubling in both scenarios, from 144 PJ in 2018 to up to 279 PJ in 2050. By 2050, electricity will supply, respectively, up to 59% - in BEC's Kea scenario - and 54% - in the Tūi scenario - of all energy demand. Under both scenarios, this increased demand is met by very large increases in wind generation accompanied, in later years, by large increases to solar (primarily grid-scale).

A vision for an integrated energy system

- 2.63 We agree with the Infrastructure Commission that *"Targets should be consistent, stable and achievable"*.⁵ In its final advice the Climate Change Commission (CCC) suggests that *"the Government's current 100% renewable electricity target should be treated as aspirational. The Government should consider replacing the 100% target with a goal of aiming to achieve 95-98% renewable electricity by 2030."*⁶ Multiple market participants have previously advised that achieving 100% renewable electricity by 2030 might be very costly when it comes to the last few percentage points. As an alternative, we support the development of an integrated energy system that can best support the necessary work of emissions' reduction.
- 2.64 BEC's modelling shows that fossil fuel consumption is likely to reduce from currently around 500PJ down to 200-300PJ in 2050. In fact, our members are actively exploring new fuels and technologies such as biogas and hydrogen as part of the mix in New Zealand's energy future. Fossil fuel demand is likely to fall to a small fraction of current levels in sectors such as electricity, road transport, residential, commercial and food processing.
- 2.65 We support the development of a long-term whole-of-energy strategy to decarbonise the transport, industrial, primary, commercial, and residential sectors. A vision for New Zealand should represent an informed, sequenced, and holistic approach, developed by government in conjunction with business. The most value to New Zealand will be gained by using this model to move boldly and smartly together to engage effectively with many diverse stakeholders during the energy system transition.

³ [Infrastructure-Strategy-Consultation-Document-May-2021.pdf \(infracom.govt.nz\)](#), Page 54

⁴ [TIMES | BEC Scenarios](#), Insight 6

⁵ [Infrastructure-Strategy-Consultation-Document-May-2021.pdf \(infracom.govt.nz\)](#), Page 54

⁶ [Inaia tonu nei Final Advice Document.pdf](#), Page 295

Accounting for carbon emissions

- 2.66 The modelling results are primarily driven by carbon price increases over time. Therefore, we disagree with the Commission's recommendation under F1.1 "*ensure all infrastructure projects evidence they are compatible with a net-zero carbon emission future to prevent infrastructure with a long asset life locking-in a high-emissions future*". Instead, we suggest this should be considered through the lens of the ETS. We think reliance should primarily be placed on policy instruments that act at the system level (e.g., a carbon price) before additional policy measures are introduced. In this way, various markets within the system can collectively adapt to find the most efficient response.
- 2.67 Any policies developed to directly signal how behaviour should change to meet the emissions' targets alongside the ETS should be subject to cost benefit analysis and to regulatory impact statements.
- 2.68 For example, Sweco Urban Insight refers in its report on Carbon Cost Intensity (CCI) as a cost-based assessment to identify opportunities to provide a "*measure of the carbon emitted for each unit of cost spent, e.g., kilograms of carbon dioxide equivalent per dollar. It can be used to prioritise carbon reduction measures within a fixed budget and identify the most cost-effective carbon reduction options: the best carbon 'bang for your buck'.*"⁷ Sweco is a European engineering consultancy company, active in the fields of consulting engineering, environmental technology and architecture.

Further expansion on the ETS might encourage investment in carbon capturing infrastructure

- 2.69 Since the ETS is currently under review, it would be desirable to consider the barriers to carbon capture and storage ("CCS") caused by specific ETS rules. CCS is a 'removal activity' under the Climate Change Response Act. That means the removing entity (i.e., an operator of a suitable geological formation) could receive one ETS credit for every tonne of CO₂ removed and stored. However, that only applies where the capture and storage is related to a given operator's activities. So, if an operator were to store carbon on behalf of a third party, then that operator could not currently claim ETS credits. The framework should be amended so that an entity performing CCS can receive ETS credits, regardless of whether or not that entity was the source of the CO₂. This issue and other barriers to CCS are covered in detail in Carbon Capture and Storage: Designing the Legal and Regulatory Framework for New Zealand

⁷ [urban-insight-report carbon-cost-in-infrastructure.pdf \(swecourbaninsight.com\)](https://www.swecourbaninsight.com/urban-insight-report-carbon-cost-in-infrastructure.pdf)

[<https://researchcommons.waikato.ac.nz/bitstream/handle/10289/8530/Carbon.pdf?sequence=1&isAllowed=y>]

Energy diversity is essential

- 2.70 We agree with the Infrastructure Commission that *"Inadequate backup generation could undermine investment in our industries, potentially drive out key industrial energy users, and increase imports from higher-emission producers overseas. It also has the potential to increase electricity costs or keep them higher than they need to be, harming efforts to electrify industry and heavy transport that would offer considerable carbon reductions."* Energy diversity is essential for New Zealand's journey to net carbon zero. Not only will diversity help to ensure security of energy supply but it will also help to keep our energy affordable and can help reduce carbon emissions.
- 2.71 We agree with the Infrastructure Commission that *"From an infrastructure perspective, some significant challenges will need to be addressed if the transition to renewable energy is to be successful."*⁸ Together we can achieve the necessary transition to facilitate greater technological diversity without undermining the energy system we already have.
- 2.72 No system is perfect and while the platform from which we start is not broken, its ongoing development is something for which we all need to take responsibility. We seek to collaboratively and constructively address how rules, incentives and markets can best be harnessed to shape evidence-based policy informed by what we refer to as the energy trilemma⁹ (the balance of energy infrastructure sustainability, equity and security). The energy trilemma illustrates the need to balance energy security, energy equity and environmental sustainability and has become part of the energy dialogue in order to avoid polarising one-dimensional energy issues.

Additional comments on RMA Issues

- 2.73 While we support the Commission's discussion on the need for RMA reform, we would encourage the Commission to extend their focus on how the RMA impacts urban planning to include the interactions between the proposed resource management system reforms and decarbonisation infrastructure and other linear infrastructure that is not directly related to urban development. It is crucial that the reform:
- Places infrastructure necessary for electrification and linear infrastructure on an equal footing with natural environmental matters;

⁸ [Infrastructure-Strategy-Consultation-Document-May-2021.pdf \(infracom.govt.nz\)](#), Page 55

⁹ [New Zealand remains in top 10 for energy balance - BusinessNZ Energy Council \(bec.org.nz\)](#)

- Resolves tensions between conflicting infrastructure and natural environmental priorities in a way that provides certainty to infrastructure businesses earlier in the investment decision-making process;
- Speeds up and makes more certain resource management planning and consenting processes to enable rapid delivery of essential works; and
- Aligns with the Climate Change Response Act (CCRA) framework, purpose and targets and other related legislation to ensure a cohesive, system-wide approach.

Improve regional and international connections (p.87)

- 2.74 BusinessNZ agrees with the Commission, that international trade plays a crucial role in the economy. If a national freight supply chain strategy were to be developed, BusinessNZ would advocate for a review of Port ownership structures. The Port of Tauranga operates under a mixed ownership model and is treated as a financial asset which is managed with commercial principles. This works well for both owners and customers. Public Private ownership has installed good disciplines and timely investment in deep port and therefore large ship attraction capability. Ports should be held to account if the business is operating less profitably and efficiently than comparative privately owned businesses.
- 2.75 BusinessNZ would also advocate that applications for port development should be supported by the Government. For example, Port of Tauranga's 4th berth application is currently stuck in the Environment Court which is currently adding to supply chain congestion issues. Experts say when the top of the north island freight is moving well the whole country's freight tends to move well, so when delays like this happen, it has knock on effects for other parts of the supply chain.

Procurement and delivery (p.92)

- 2.76 The Commission notes the importance of a robust and transparent procurement and delivery model for infrastructure. We support the government achieving broader outcomes from procurement in infrastructure. Broader outcomes can generally be described as the secondary benefits that are generated by the way a good, service or works is produced or delivered. These outcomes can be social, environmental, cultural or economic benefits. Broader outcomes require consideration not only the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment and the economy.

- 2.77 One of our major objectives from a business perspective is to get Government Procurement Managers to make purchasing decisions – not just on the basis of lowest price tender – but on the *whole of life* value of what is being purchased. New Zealand suppliers can often be ignored in pursuit of lower cost suppliers, but it can be a false economy as often the quality can be lacking and NZ companies are then employed to fix ongoing problems down the track.

Appendix One - Background information on BusinessNZ



GROWING PROSPERITY AND POTENTIAL

[BusinessNZ](#) is New Zealand's largest business advocacy body, representing:

- Regional business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Employers Otago Southland](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).