

Energy Issues for the Wood Processing Sector In NZ

Summary

The Joint Energy Working Group of the Wood Processing Strategy Steering Group commissioned a suite of studies into the energy issues facing the wood processing industry (WPI) and in particular the opportunities for energy supply after the decline of the Maui gas field.

The reports indicate that while the drop off of Maui gas supply will probably lead to an increase of future energy prices there are a significant number of actions both under way and planned by energy market participants that make the specific effects and timing unknown. The wood processing industry is in a good position to take a number of initiatives that are in their own hands to take and which will ameliorate any adverse effects if they arise. These include embedded electricity generation, investment in energy efficiency, adoption of electricity demand management etc.

With the drop-off of gas from the Maui field the energy market will become more complex particularly if gas is then supplied from a number of different parties and from generally small gas fields. There is also a degree of uncertainty of the outcome of a number of actions, in particular those relating to Maui redetermination and gas field development. The WPI needs to monitor these activities and have their own risk management strategies in place.

The reports prepared for the Working Group are generally supportive of government policy and initiatives taken. However in the electricity networks area where there are still a number of issues that make it difficult for the WPI to be cost effective and in particular for embedded generation to occur. This is an area of specific potential for the wood processing industry and is also being highlighted in work being done elsewhere for the Centre for Advanced Engineering on distributed generation.

Background

The need for the project arose from the recognition that energy is no less a vital component of infrastructure for the Wood Processing Industry than transport and skilled labour. It therefore set out to review:

- The supply and demand for energy in the new wood processing regions
- The effects of energy market structures on the development of the sector
- Likely changes in energy costs
- Opportunities for the development of Bioenergy in the sector.

The conclusions are set out in the compilation report which is available on the Bioenergy Association website www.bioenergy.org.nz.

The information gained from the studies is being used by Forest Industries Council, EECA and the Bioenergy Association to formulate an Action Plan of activities to be pursued during 2003. For information on the bioenergy components of the Action Plan contact the Executive Officer of the Bioenergy Association.

Conclusions

It is possible to view the identified issues surrounding supply, price and market structure with considerable concern. The authors note however, that neither the supply gap nor some level of price rise is unexpected. To some extent these are features of all markets. The structure of energy markets can also be expected to be somewhat unstable given its relatively recent development.

Nevertheless these areas may all become significant barriers to investment. The combination of issues and their inter-relationships, occurring over the same time period as we hope to encourage a significantly increased level of investment in wood processing, warrants close attention by government.

Many of the issues identified are already being worked upon within Government. The summary report simply notes where priority or urgency should be afforded particular issues and makes a relatively small number of recommendations to both industry and government, where additional solutions are necessary to achieve the objectives of the Wood Processing Strategy.

The reports also identify the key role that Bioenergy can play for both the sector and the economy in the future, and makes recommendations to industry and government as to the means by which this potential may be realised.

A key conclusion is that government retains an important role in the energy sector. The importance of the energy sector to both the Wood Processing Strategy and the economy as a whole is such that Government must ensure that energy markets are working effectively and that residual issues are addressed quickly. Government agencies such as Transpower also have an ongoing and pro-active role to ensure that both the supply side of the market, and future investors in demand, are adequately informed.

Reports

- [Forward](#)
- ["Energy Issues Supply Report", Joint Energy Working Group](#)
- ["Wood Processing Strategy: Future Energy Supply and Demand", East Harbour Management Services](#)
- ["Drivers of Woody Bioenergy in NZ", East Harbour Management Services](#)
- ["Wood Processing Strategy: Energy Market Structure Issues in NZ", Russell Longuet of Carter Holt Harvey](#)
- ["Gas Price Increase and Carbon Charge Effects on Heat and Electricity Costs", East Harbour Management Services](#)