Wind a better policy option than buying credits

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Encouraging more investment in wind and other renewables to meet climate change targets is a better option for New Zealand than relying on international carbon credits, Victoria University policy expert Adrian Macey says.

Macey says that, over a year, 1 MW of installed wind generation capacity could save "in the region of 2,000 tonnes of CO_2".

He is concerned that, instead of developing policies to further encourage renewable developments and a shift to greater industrial use of electrical energy, the Government has focused on international carbon credits.

It currently plans to meet up to 80 per cent of New Zealand's 2030 emissions commitments on international markets, he says.

Each tonne bought on the international carbon market "is one tonne not saved by the shift to renewables", he told delegates at last week's New Zealand Wind Energy Association conference.

"That sort of a trade-off, I think, is one that would need to be part of the domestic policy mix."

Macey, a senior associate at the university's Institute for Governance and Policy Studies and former climate change negotiator, says the focus on buying credits internationally is a "unique feature" of New Zealand's emissions planning. He hopes that the discussion on how much should be bought will allow the government to "revisit" some of its assumptions.

"We are way, way ahead. Most countries want to do 100 per cent themselves or at least 90 per cent," he told delegates.

"Do we need to rely so heavily on international carbon markets?"

Renewable advantage

Speaking earlier in the conference, Energy and Transport minister Simon Bridges said he expects the next large-scale generation built in New Zealand will be renewable, not just for "moral reasons but because it's about cost".

He said timing would depend on electricity demand growth but "when demand comes it's going to be geothermal and/or wind".

His view was later backed up by comments from Meridian Energy retail general manager Neal Barclay that the firm's Maungaharuru site in Hawke's Bay would likely be its "next cab off the rank".

Bridges told delegates that New Zealand is determined to be a strong player in the international effort on climate change "despite our comparatively small contribution to global emissions". The wind sector's contribution towards meeting those targets "should not be underestimated".

But he also said international carbon credits will play an important role in meeting New Zealand's obligations.

He is open to conversation about the "mix" of local carbon reduction and international carbon markets, but says that using international emissions reductions to help meet New Zealand's pledges is sensible.

"Going internationally for carbon units, despite the contrary views, does have integrity and is a good strategy for a country if there is somewhere, in market terms, doing a more cost effective job in lowering emissions."

He also reiterated Climate Change minister Paula Bennett's commitment to scrapping the two-for-one carbon credit subsidy for industry will put additional pressure on industries to transition away from carbon-based energy sources.

NZUs are trading above $13, according to carbon market trader OM Financial. It says prices of more than $14 are "within reach and it would not surprise to see $15 tested".

Sustainable

Bridges reiterated that there are more gains to be had from reducing carbon emissions from primary energy use in the industrial heat and transport sectors. There will be "conversations" with stakeholders in coming months and Bridges hopes to announce new industry, transport and energy intensity goals later this year.

"Improving our energy intensity will lead to decreased costs and enhance our business competitiveness. A renewable energy target recognises that our greatest potential to reduce carbon is in our process heat and transport sectors which are both significant emitters."

He says developing targets for these areas is "a very significant shift", which will be supported by increased public awareness of energy over the next four or five years.

At that point Bridges believes the public will not only understand energy, but be "living and breathing it", due to the adoption of low-emission cars and the installation of smart home systems to power them.

He says setting targets to guide industry in a "planned trajectory over the next decade" is better than trying to enforce renewables through disruptive change. He pointed out that the National-led government's 90 per cent renewable target for the electricity sector has worked, with renewable generation reaching 80.7 per cent last year, up from about 65 per cent in 2006.

"I'm very much of the view that a more realistic, enduring response is to transition and to move your settings and to move your initiatives over a period of time.

"What is most important is not the swiftness of your response, but a substantive response."

Credit future

Macey says the conversations around energy targets and the use of international carbon credits mentioned by Bridges could be a useful "multi-stakeholder process" to set policy going forward.

But he warns that if the country does not make "permanent reductions at home" it could be caught short at the next round of international commitments.

"We would have to 'repurchase', if you like, all the emissions we have already purchased on the international market in the preceding period just to get back to square one."

Macey also called for greater transparency about the data the Government is using for its models, saying that figures in recent studies by Landcare Research and Infometrics are not currently being made available.

He says having data on the effects of different carbon prices, carbon trading scenarios or different industries' use and emissions would be "helpful" to the wind sector.

"Almost all of these figures have been withheld by the government in response to OIA requests. So it's rather a black hole at the moment. My own sense is that we need to get more robust and more transparent about the economic modelling we do."