

## Q&A re New Zealand O&G – Climate Change

<http://southern.communitypanel.org.nz/what-you-say/>

**What is New Zealand Oil & Gas’s policy with respect to the Zero Carbon Bill, and the Government’s position relating to carbon neutrality by 2050?** [Question from Southern Community Panel Letter of Expectations 2018]

*What is the Zero Carbon Act?*

In December 2017, Cabinet agreed to initiate a Zero Carbon Bill to Parliament in 2018. The Act will require government to set in law targets to reduce New Zealand’s emissions year-on-year. Emission reductions would be achieved through setting of carbon budgets, working towards the long-term target of zero net carbon emissions, by 2050 or sooner. Methane, a short-lived greenhouse gas, would be treated separately. See here for a [summary](#).

*What is the Government’s timeframe for a Zero Carbon Act?*

Throughout 2018, Government officials are engaging with key stakeholders and consulting the public on options for the 2050 target, as well as the role, function and powers of the Climate Change Commission.

*What is the Climate Change Commission?*

An interim Climate Change commission has been appointed, to begin the work to set New Zealand on a course to be carbon neutral by 2050. The Commission will focus on priority matters including the role of agriculture in climate change policy and transitioning to 100 percent renewable electricity. More information on the role and function of the Climate Change Commission can be found [here](#).

To inform the work of the Climate Change Commission, the Productivity Commission has released its [draft report](#) on how New Zealand can maximise the opportunities and minimise the costs and risks of transitioning to a lower emissions economy beyond 2030. New Zealand Oil & Gas made a submission to the Productivity Commission report, available [here](#).

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*We support the Zero Carbon legislation process*

Broadly, New Zealand Oil & Gas supports the process for establishing the Zero Carbon legislation, the principle of a carbon budget and the use of an emissions trading scheme as the main policy tool to achieve the net carbon zero policy target.

Oil and gas has an important part to play in the energy transition and will continue to have important role to play in a carbon neutral economy. Natural gas remains the best thermal fuel to support renewable electricity generation and the transition to a lower carbon energy system. It provides affordable and reliable baseload supply (to cover shortfalls in generation from hydro, wind, and solar). A high level of renewable electricity is not realistically economic in the medium term at least without baseload natural gas.

New Zealand Oil & Gas chose to work with Business New Zealand our industry organisation, Pepanz, to support their submissions on the legislation. We did not make our own submission because the main points are covered in the submissions by these organisations.

The net-zero carbon legislation is being developed through an open and consultative policy process that it is likely to lead to stable and predictable policy, in contrast to the government's announcement of 12 April 2018 that it would not grant any new offshore exploration permits. We welcome this improved process.

We do not support sector-specific bans or policy choices that attempt to select the technology to be used in the transition to a lower carbon energy system. This is likely to induce inefficient (higher cost, lower output, higher emissions per dollar spent on reduction) energy sources, and unfairness and policy instability as the costs and limitations impact energy users.

#### *We support the setting of carbon budgets*

New Zealand Oil & Gas supports the principle of a 'carbon budget' - the concept that the country should transparently target its total carbon emissions. We support the involvement of the wider community in agreeing a target and timetable that is appropriate for New Zealand.

The best way to achieve the target is a tradeable emissions price (i.e. ETS). When combined with a budget, a tradeable price incentivises the most economically efficient use of emissions and the lowest cost alternative technologies.

Attempts to pick favoured sectors and technologies has resulted (and is certain to continue to result) in efficient resource allocations, which in practice mean not just higher prices for energy and lower economic output - it will often also lead to higher emissions.

### **How is New Zealand Oil & Gas supporting the national goal of New Zealand becoming carbon neutral by 2050?**

As climate change is a global issue, our focus is at both the global/international scale, as well as acting locally.

#### *Global opportunities for New Zealand, and New Zealand Oil & Gas Ltd*

Broadly, we have a role in supporting the transition to low emission energy sources through promoting the use of natural gas to replace high emissions fuels such as coal, bitumen and tar sands for those energy uses where no viable and economic alternative technology currently exists.

More specifically our company can support the national goal of carbon neutrality by 2050 in a range of ways:

Taking a global view:

Our investment strategy targets a preference for gas assets because we see these as being a central part of the energy transition over coming decades. We see this strategy reducing risk from climate effects and policy change, and also providing positive competitive supply that displaces higher emissions energy sources. We believe gas is a lower cost, lower-carbon competitor to many uses for those energy sources.

Through our participation with Business New Zealand, and our industry group Pepanz, we are advocating for the revised (domestic) Emissions Trading Scheme to allow international trading to achieve emissions reductions. We believe government-to-government trading presents opportunities for significant carbon reductions at low marginal costs. An example of this approach is a voluntary and cooperative “climate team model” being explored between the governments of New Zealand and Columbia. New Zealand would “invest in” emission reductions in Columbia that are over and above Colombia’s nationally determined contribution (NDC). Projects would be verified and assured under strict approval of the UN FCCC (United Nations Framework Convention on Climate Change).

We are also reviewing ways we can investigate new technology solutions that leverage our business expertise. Carbon capture and storage is one existing technology that where potential exists. Production of hydrogen fuel from natural gas is another potential future technology.

#### Informing the debate:

- Commissioning a study assessing the carbon emission implications of a development at Barque, using the parameters of the [Barque Regional Economic Impact study](#) as a basis.
- Considering research into carbon capture and storage (CCS) in New Zealand, including barriers to obtaining credits for CCS through the Emissions Trading Scheme.
- We are participating in an industry project, Pepanz’s Net-Zero Committee, working on the sector’s response to climate change.

#### Supporting local action:

In terms of wider commitment to supporting the national goal of becoming carbon neutral, we also support the carbon reduction and sustainability projects that local communities are taking to reduce their carbon footprint. This includes partnering with local Trusts in Otago and Southland to insulate homes of families with high health needs, supporting local conservation projects, and supporting local community groups with low emission vehicle goals.

#### Managing our head office environmental footprint:

At this stage we have not set a carbon neutral target for the company. We intend to revisit our carbon strategy as the policy environment becomes clearer through the net zero legislation process and the work of the climate change commission

However, irrespective of a formal target, we are taking action to reduce the footprint of our day-to-day work. We have also committed to disclosure and reporting of sustainability performance in general and carbon emissions in particular. Transparency helps investors and the wider community to understand our impact and progress.

#### Seeking feedback:

We continue to actively seek feedback from our communities, investors, Iwi, environmental and business groups and other stakeholders. We value open dialogue and believe that diverse views help grow a more successful, robust and higher performing business.