

Submission template

Submitting on the *Gas Transitions Plan Issues Paper*

This is the submission template for responding to the consultation document *Gas Transition Plan Issues Paper*. The Ministry of Business, Innovation and Employment (MBIE) seeks your comments by **5pm on Thursday, 02 November 2023**.

Please make your submission as follows:

1. Fill out your details under the “Your name and organisation” heading and, if applicable, check the boxes underneath on privacy and confidentiality.
2. Fill out your responses to the discussion document questions. Your submission may respond to any or all of the questions. Where possible, please include evidence to support your views, for example references to independent research, facts and figures, or relevant examples. If you would like to make other comments not covered by the questions, please provide these in the “General comments” section at the end of the template.
3. Before sending us your submission:
 - a. delete this first page of instructions
 - b. if your submission contains any confidential information, please:
 - state this in the cover page or in the e-mail accompanying your submission
 - set out clearly which parts you consider should be withheld and the grounds under the Official Information Act 1982 (OIA) that you believe apply
 - provide a separate version excluding the relevant information for publication
4. Submit your submission by either:
 - a. emailing this template as a PDF or Microsoft Word document to gastransition@mbie.govt.nz
 - b. mailing your submission to:

Energy Resources Markets Branch
Ministry of Business, Innovation and Employment
15 Stout Street
PO Box 1473, Wellington 6140
Attention: Gas Transition Plan Issues Paper submission

Please direct any questions that you have in relation to the submissions process to gastransition@mbie.govt.nz.

Release of Information

Please note that submissions are subject to the OIA and the Privacy Act 2020. In line with this, MBIE intends to upload copies of submissions received to MBIE’s website at www.mbie.govt.nz. MBIE will consider you to have consented to uploading by making a submission unless you clearly specify otherwise in your submission. MBIE will take your views into account when responding to requests under the OIA and publishing submissions. Any decision to withhold information requested under the OIA can be reviewed by the Ombudsman.

Submission on the *Gas Transitions Plan Issues Paper*

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|-------------------------------------|--|
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Release of information

Please let us know if you would like any part of your submission to be kept confidential.

I would like to be contacted before the release or use of my submission in the summary of submissions that will be published by MBIE after the consultation.

I would like my submission (or identified parts of my submission) to be kept confidential, and **have stated below** my reasons and grounds under the Official Information Act that I believe apply, for consideration by MBIE.

I would like my submission (or identified parts of my submission) to be kept confidential because
[\[Insert text\]](#)

[To check the boxes above: Double click on box, then select 'checked']

Chapter 2: Transitioning our gas sector**How can New Zealand transition to a smaller gas market over time?**

Ongoing security of energy supply and stability in energy pricing is a basic requisite for the future of manufacturing in New Zealand. The Aluminium Extruders of New Zealand (ALENZ members) are no exception.

Our members provide high value jobs in our regions.

For example ALENZ members in Waikato directly provide employment for over 600 people and over 270 in Taranaki.

Our aluminium extrusions are basic inputs into the construction, transport and marine sectors of the New Zealand economy.

In transitioning to a smaller gas market New Zealand needs to ensure stable pricing and security of supply to aluminium extruders (and recyclers) who rely on high quality, high temperature heat provided by natural gas.

Investment in manufacturing facilities and operations is - of necessity – long term (15 year+). A reliable supply of energy at a price that enables manufacturers to remain globally competitive will be a key consideration when those investment decisions are made by manufacturers in and for New Zealand.

ALENZ members understand the challenges faced by small to medium sized manufacturing entities in the transition to a low emissions circular economy.

- Electricity does not provide high temperature process heat required for all metals manufacturing processes which currently rely on natural gas
- Natural gas is essential for aluminium extruders to pre-heat dies for the extrusion process
- Natural gas enables the recycling of aluminium in New Zealand – reducing the GHG emissions from imported aluminium and emissions from transport to New Zealand.

Ironically transitioning to a smaller (and likely more expensive) gas market threatens the viability of New Zealand's only aluminium remelt facility based in Taranaki. This circular solution produces a significant quantity of some of the lowest GHG aluminium globally. If local, recycled aluminium is to be replaced by imported aluminium produced from fossil fuel energy sources then the planet is considerably the worse by a factor of at least five.

For every locally recycled kg of aluminium replaced by imported virgin aluminium we see an increase in carbon content between 5 and 15 times that of recycled product.

What is needed to ensure fossil gas availability over the transition period?

New Zealand needs to ensure supply of natural gas, at an affordable, regionally competitive price to those productive sectors of the economy where there currently there is no substitute high temperature heat source.

| | |
|--|---|
| 3 | <p>What factors do you see driving decisions to invest or wind down fossil gas production?</p> <p>No response</p> |
| 4 | <p>Does the Government have a role in enabling continued investment in the gas sector to meet energy security needs? If yes, what do you see this role being?</p> <p>Certainly. COVID demonstrated the fragility of international supply chains. New Zealand needs to maintain our productive manufacturing capacity. We cannot deliver to housing and infrastructure supply by relying on offshore manufactured products.</p> |
| 4 | <p>ALENZ members are principally supplied with aluminium billet smelted in New Zealand. Annual production of extrusions by ALENZ members is over 36 million kgs of aluminium extrusions.</p> <p>Failure by government to maintain stable supply of natural gas at competitive pricing will result in significant increase to New Zealand's emissions consumption. Historically the bulk of imported extrusions are sourced from coal fired smelters in China which have a CO² footprint on average five times greater than extrusion produced in New Zealand.</p> |
| 5 | <p>Does the Government have a role in supporting vulnerable residential consumers as network fossil gas use declines? If yes, what do you see this role being?</p> <p>Government needs to support residential consumers to transition to ensure continued supply of high value heat energy to manufacturing consumers who unlike residential consumers don't have a viable alternative.</p> |
| <p>Fossil gas and electricity</p> | |
| 6 | <p>What role do you see for gas in the electricity generation market going forward?</p> <p>As renewable electricity costs continue to fall, Government needs to incentivise investment in electricity generation and storage freeing up natural gas for industrial users who require high value heat and don't currently have viable alternatives.</p> <p>Supply of natural gas and gas infrastructure needs to be maintained for industry ensuring future transition when there are commercially competitive alternatives of high temperature heat for manufacturing.</p> |
| 7 | <p>What would need to be in place to allow gas to play this role in the electricity market?</p> <p>Natural gas needs to be enabled to transition from electricity back up generation to supply of high value heat for manufacturing.</p> |
| 8 | <p>Do you think gas can play a role in providing security of supply and/or price stability in the electricity market? Why / Why not?</p> <p>No. As costs of renewable electricity generation and storage continue to drop the role of natural gas in the electricity market must decline.</p> |

Do you see alternative technology options offering credible options to replace gas in electricity generation over time? Why / Why not?

9

ALENZ agrees with the conclusions in the issues paper with gas being replaced by more viable alternatives.

10

If you believe additional investment in fossil gas infrastructure is needed, how do you think this should be funded?

Current infrastructure needs to be maintained to support local manufacturers until viable renewable alternatives (e.g. green hydrogen) become available at a competitive price.

Chapter 3: Key issues and opportunities

Renewable gases and emissions reduction technologies

On a scale of one to five, how important do you think biogas is for reducing emissions from fossil gas? Why did you give it this rating?

11

1- low. Not aware that biogas will firstly be available in sufficient quantities and secondly deliver high value heat for manufacturing.

Do you see biogas being used as a substitute for fossil gas? If so, how?

12

No - refer answer to question 11

On a scale of one to five, how important do you think hydrogen is for reducing emissions from fossil gas use? Why do you think this?

13

Short term -1 i.e. low. Lack of supply and distribution

Do you see hydrogen being used as a substitute for fossil gas? If so, how and when?

14

Supply, possibly in the long term. Affordable - unlikely given how it is produced.

15 **What else can be done to accelerate the replacement of fossil gas with low-emissions alternative gases?**

No response

16 **On a scale of one to five how important is a renewable gas trading to supporting the uptake of renewable gases? Why have you given it this rating?**

No response

17 **What role do you see for the government in supporting such a scheme?**

No response

Carbon Capture, Utilisation and Storage

18 **On a scale of one to five how important do you think CCUS is for reducing emissions from fossil gas use? Why did you give it this rating?**

Unlikely for ALENZ members given scale which would be required.

19 **What are the most significant barriers to the use of CCUS in New Zealand?**

Lack proven, affordable solutions which could deliver at small scale to benefit New Zealand manufacturing.

20 **Do you see any risks in the use of CCUS?**

Yes. New Zealand is seismically challenged - where is the technology to guarantee storage in a seismic event?

21 **In what ways do you think CCUS can be used to reduce emissions from the use of fossil gas?**

No response

Options to increase capacity and flexibility of gas supply

22 **What role do you see for gas storage as we transition to a low-emissions economy?**

In the transition to a low emissions economy gas storage becomes essential for local manufacturers who lack affordable energy alternatives.

23 **On a scale of one to five, how important do you think increasing gas storage capacity is for supporting the transition? Why did you give it this rating?**

No response

24 **What should the role for government be in the gas storage market?**

Government needs to ensure supply is managed to prioritise those users who lack alternatives.

25 **Our position is that LNG importation is not a viable option for New Zealand. Do you agree or disagree with this position? If so, why?**

Agree.

26 **What risks do you anticipate if New Zealand gas markets were tethered to the international price of gas?**

Government needs to develop market mechanisms to ensure availability and affordability of high heat sources until commercially competitive alternatives are readily available.

Failure to ensure supply will drive manufacturers out of business or offshore to where heat energy is readily available at competitive prices.

General comments

Missing from this discussion is a New Zealand Energy Strategy (as opposed to current basket of policies prioritising emission reduction), delivering to New Zealand's future energy needs which includes a vibrant local manufacturing sector enabling a transition to a low emission circular economy while providing high value jobs, particularly in our regions.