



31 May 2024

Climate Change Commission

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Dear Commissioners

How can Aotearoa New Zealand best tackle greenhouse gases?

1. Orion New Zealand Limited (**Orion**) welcomes the opportunity to make a submission on the Commission's three consultation papers:
 - a. Draft advice on Aotearoa New Zealand's fourth emissions budget;
 - b. Review of the 2050 emissions reduction target; and
 - c. Review on whether emissions from International shipping and aviation should be included in the 2050 target, and if so how.

Background

1. Orion owns and operates the electricity distribution infrastructure in Central Canterbury, including Ōtautahi Christchurch. Our network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north to the Rakaia River in the south; from the Canterbury coast to Arthur's Pass. We deliver electricity to more than 224,000 homes and businesses and are New Zealand's third largest Electricity Distribution Business. Orion and its various predecessors have been providing this essential service to the region for close to 120 years.
2. Orion is a Lifeline Utility for the purposes of the Civil Defence Emergency Management Act 2002. Orion has a statutory duty under this legislation to ensure it is able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency.

3. Orion has a fully owned subsidiary, industry service provider Connetics, and together with Orion the two organisations make up the Orion Group.
4. Central Canterbury is a place of rapid growth and transformation, embracing change and innovation, with Ōtautahi Christchurch at the heart of this diverse and vibrant region. Electricity distribution has always been an essential service that underpins regional, community and economic wellbeing. Our service is vital to the wellbeing and livelihood of the people and businesses who live and operate here. Now, it also has a critical part to play in New Zealand's transition to a low carbon economy.
5. In this context Orion's Group Purpose of "Powering a cleaner and brighter future with our community" is central to all we do. As Aotearoa New Zealand transitions to a low carbon economy, the energy sector has a critical part to play primarily through electrification. Orion has established its purpose to be a vital player in that transition for our community and our region. We are focused on helping our community realise its dreams for a future that is new, better, and more sustainable over the long term. In practical terms Orion's priority for the next five years is to get 'match fit'. This means our business will be ready to serve increased demand as electricity plays a crucial role in decarbonising Aotearoa New Zealand. Our Asset Management Plan contains additional detail on how our strategy is embedded within our network investment.
6. We are very conscious that we face a rapidly changing and massively different energy environment in the decades ahead. The changing landscape facing Orion is primarily driven by three factors – climate change, new technology and increasing demand for electricity. The increasing demand for electricity is driven by the need to both enable decarbonisation at pace, and support population growth.
7. In this context, we provide comments on the three consultation papers, and we note our support for the submission of Electricity Networks Aotearoa on this consultation to the Commission.

Draft advice on Aotearoa New Zealand's fourth emissions budget

8. We support the Commission's proposal regarding the setting of the 4th emissions budget and the amendments to the first, second and third emissions budgets. We note your comments at page 26 in the Executive Summary that *"Setting the level of an emissions budget does not on its own have direct impacts on people. It is the choices made to achieve the budget that determine the impacts*

that the budget creates. Some of these choices are made by government, others by individuals, businesses, industries or even the international community.”

9. This is absolutely the case in terms of electrification and preparing electricity distribution networks for decarbonisation. As the report points out at page 110, there is likely to be significant capital expenditure on electricity distribution networks in due course. In preparing for this, we have done our own modelling which is detailed in our most recent Asset Management Plan which you can find at [Orion Asset Management Plan 2024 \(oriongroup.co.nz\)](https://oriongroup.co.nz). We have spent some time identifying and analysing the drivers of growth and change, and the range of uncertainties of each. Developing our future energy scenarios is a key part of this. These scenarios, envisioning plausible futures in 2050, are shaped by key drivers such as technology change and consumer participation. More information about our scenarios is at page 126 of the Asset Management Plan. We would be happy to discuss our scenarios with you to help inform your EB4 pathway. Ideally, we would like the policy environment in New Zealand to be more aligned with the consumer and place-based transition scenario.¹

Review of the 2050 emissions reduction target

10. We note the requirements of section 5T of the Climate Change Response Act 2002. The Commission may only recommend a change to the 2050 target if significant change has occurred to one or more of the items listed at subsection (2)(a), and the Commission is satisfied that the significant change justifies the change to the target as set out in subsection (2)(b). It is right that a high bar must be satisfied before a change is recommended.
11. We would not support any reduction of New Zealand’s contribution to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5° Celsius above pre-industrial levels.

¹ Under this scenario consumer and place-based optimisation combined with technology change achieves energy sector transition. High levels of network optimisation can be achieved through optimisation, and place-based optimisation leads to more efficient building and urban transport. Climate change impacts are towards best case scenarios.

Review on whether emissions from international shipping and aviation should be included in the 2050 target, and if so how

12. Orion supports the Government including international shipping and aviation emissions in Aotearoa New Zealand's 2050 target, and these emissions becoming part of emissions budgets and being included in the Government's emissions reduction plans. We support this happening sooner rather than later. Meeting targets for these types of emissions reductions will necessarily require new electricity infrastructure and there are long lead times for building this type of infrastructure. We foresee a global surge in demand for electrical materials and labour. Orion, and New Zealand as a whole, is a relatively small player in the global electrical materials market. We lack the purchasing power to mitigate rising costs, and we are not necessarily able to demand priority over other customers. Consequently, we do not think that New Zealand has the luxury of making its mind up later on whether emissions from international shipping and aviation should be included in the 2050 target.

Conclusion

13. Thank you for the opportunity to make this submission. We would be happy to talk to you further about our comments and meet with you to discuss our energy scenarios.

Yours sincerely

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