

Energy – the business perspective

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Fundamental principles

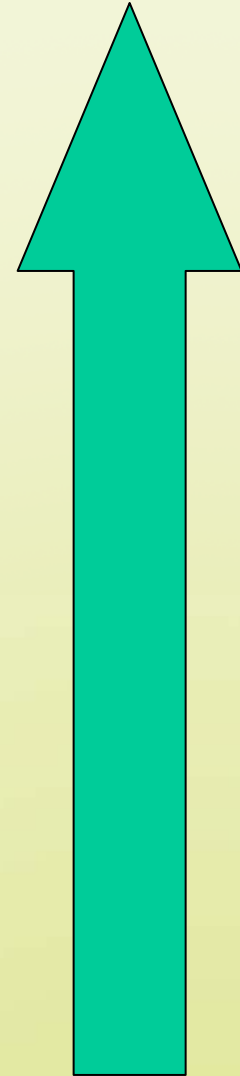
- A stable & secure electricity supply is critical to sustainable economic growth
- New Zealand's economic future rests on maintaining our price competitiveness
- Energy policy development needs to be based on a long-term and robust strategic plan

Winter 2001, then.....

- Winter 2001
- Winter 2003
- Failure of the governance process
- Announcement of the Electricity Commission – funded by levy
- Whirinaki – circa \$150 million
- E3p – Crown & Genesis, “to significant financial and fiscal risk”. Actual Crown liability undisclosed

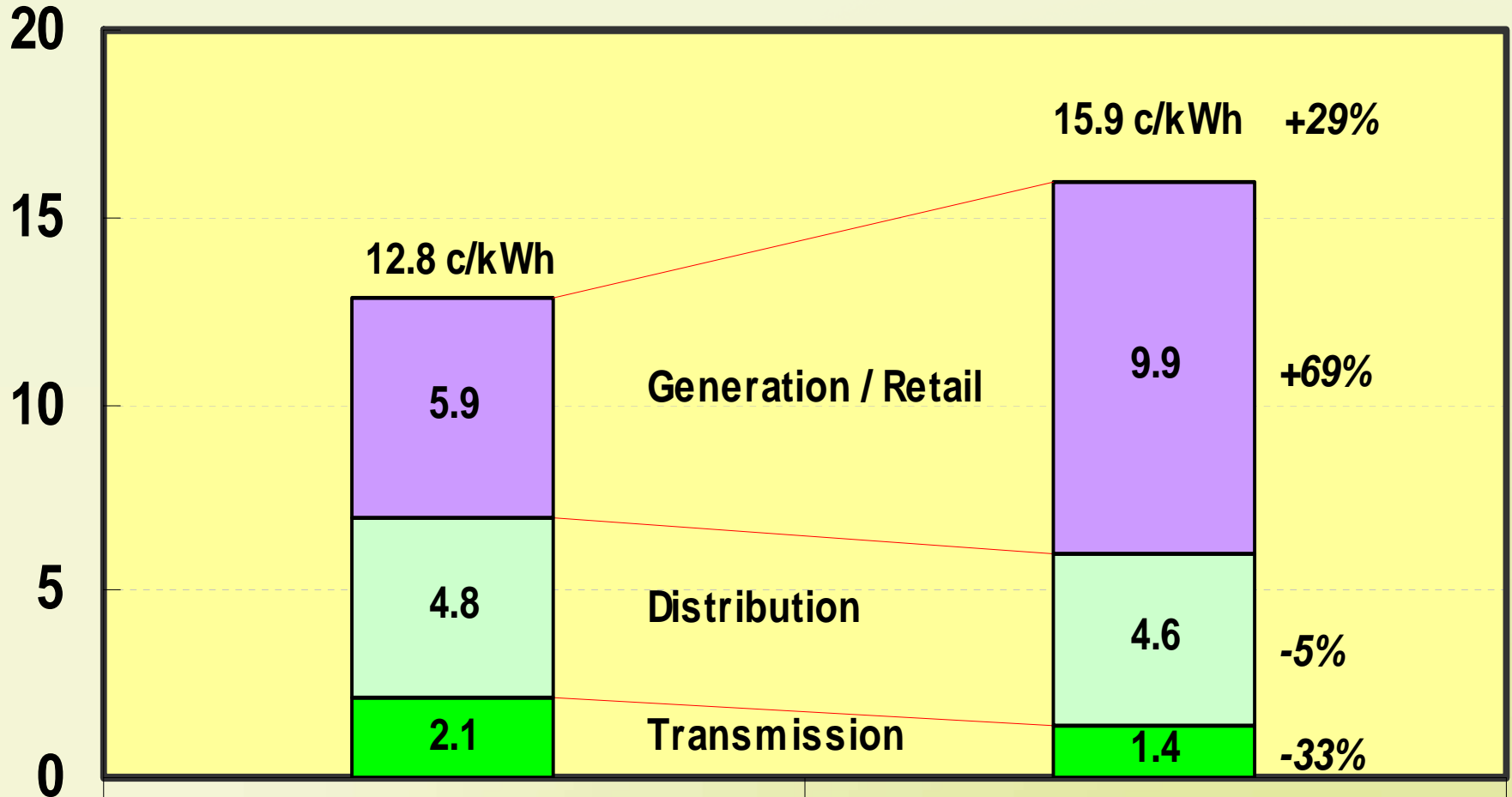
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- Meanwhile prices keep rising



NZ electricity retail prices 1999 - 2003

(Christchurch, c/kWh)



February 1999

September 2003

Into the future

- CAE's *New Zealand's Energy Future*
- MED's *Energy Outlook to 2025*
- Contact's *Hedge Markets and Vertical Integration in the NZ Electricity Sector*
- Solid Energy's *Energy Options: Securing Supply in NZ*
- *Annual reports*

Into the future

- Transpower's *Future of the National Grid*
- Contact & Genesis' *LNG – A viable backstop option for New Zealand*
- CAE – further work
- LECG/TWSCS *Analysis of the state of competition and investment and entry barriers*
- NZ Government's *Sustainable Energy*

A fifty year view

- *“Despite the growing importance of alternative fuels and the more efficient use of oil in production, fossil fuels are still likely to provide almost 90 per cent of OECD primary energy needs in 2030, with oil imports making up almost two-fifths of that. Within the OECD, the largest absolute increase in oil demand is likely to come from North America. More globally, demand from China and elsewhere in Asia will also increase strongly.” - OECD*

A fifty year view

- *“Many advocate an accelerated change in our energy infrastructure, away from fossil fuels, as the only solution to the threat of climate change. But it is not clear which technologies or policy frameworks might provide the impetus for change. Such transitions, which operate at a global level, take time to implement. Very large systems such as transport and energy infrastructures can take up to a century to fully develop” - WBCSD*

Issues going forward

- Intervention, competition and barriers to entry
- Level of regulation?
- The RMA
- Kyoto
- Skills/innovation
- Investment climate