

Clarus submission on Te Waihanga's Testing Our Thinking consultation

10 December 2024

Clarus welcomes the opportunity to submit this response to the New Zealand Infrastructure Commission – Te Waihanga's consultation on *Testing Our Thinking: Developing an enduring National Infrastructure Plan*. There is no confidential information in this submission.

Overall, we are supportive of Te Waihanga's approach and conclusions. We have responded to a selection of the consultation questions in the following table.

Consultation question	Clarus response
What are the most critical infrastructure challenges that the National Infrastructure Plan needs to address over the next 30 years?	The most critical <i>energy</i> infrastructure challenges over the next 30 years are related to the decarbonisation transition. They are: 1) To what extent can electricity network owners rely on flexibility services (rather than traditional poles and wires) to meet growing demand while maintaining reliability? 2) How orderly or disorderly will declining usage of natural gas be on gas suppliers and users? Crucial to this will be whether economic regulation of gas pipelines remains fit-for-purpose and what additional policy interventions are required to protect consumers and investors. While the National Infrastructure Plan should acknowledge these challenges, it need not 'address' them.
What strategies would encourage a better long-term view of asset management and how could asset management planning be improved? What's stopping us from doing this?	On page 52 of the consultation, Te Waihanga state "Data suggests that for electricity distribution infrastructure and existing flood protection infrastructure we're spending enough or even more than we need on covering depreciation. However, for state highways, local roads, water supply, wastewater and stormwater infrastructure, and gas distribution infrastructure we don't spend enough on covering depreciation (Figure 17)." Commerce Commission data on gas transmission pipelines suggests the equivalent figure is considerably



	higher than gas distribution pipelines. We estimate the renewal to depreciation ratio of gas transmission is 0.68. However, gas infrastructure of all kinds is in a fundamentally different situation to the other infrastructures. Gas supplied has been in decline for ten years and this trend will likely continue. The speed and extent of the decline is uncertain and has both supply- and demand-side drivers. Regardless, we expect that many gas infrastructure businesses will be acting to reduce their exposure to asset stranding risks. We anticipate the renewal to depreciation ratio will fall for gas infrastructure and that this is not inherently concerning—it may in fact be an indicator of sound asset management strategy.
How can we lower carbon emissions from providing and using infrastructure? What's stopping us from doing this?	Society expects and needs infrastructure providers to be forward-looking and playing their part in decarbonising the economy and minimising climate impacts. A successful transition involves individuals playing their part, but they cannot be expected to change all the systems within which they make decisions. We consider that natural monopolies regulated under Part 4 of the Commerce Act are not being actively incentivised toward investments in climate mitigation and adaptation. Government should amend Part 4 of the Commerce Act to require the Commerce Commission to incentivise all Part 4 price-regulated monopoly businesses to undertake cost-effective climate mitigation and adaptation actions. This could be consistent in form with section 54Q of the Commerce Act, which requires the Commission to promote incentives for energy efficiency.
What regulatory settings need to change to enable better infrastructure outcomes?	Opportunities for regulatory improvements are: 1) Review and amend Part 4 of the Commerce Act. It was designed for steady or growing infrastructure use, and gas pipeline businesses face high uncertainty, declining volumes, new gases and decommissioning decisions. 2) Create a National Policy Statement or National Environmental Statement for existing gas transmission pipelines. This would provide protections for gas consumers having to pay pass-through costs from pipeline owners who lack tools to cost-effectively prevent development encroachment within the pipeline corridor.



	3) MBIE to complete its review of the regulations that govern the encroachment of vegetation growth into power lines. 4) MBIE to complete its review of the various regulations that pose a barrier to the use of gaseous hydrogen. 5) Add battery energy storage systems (BESS) to the National Policy Statement on Renewable Electricity Generation. We would be happy to discuss any of these opportunities in more detail.
--	---