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Committee Secretariat
Transport and Infrastructure Committee
Parliament Buildings
Wellington

Submission on Offshore Renewable Energy Bill

Taranaki Offshore Partnership (*TOP*) is a joint venture between the New Zealand Superannuation Fund (*NZSF*) and Copenhagen Infrastructure Partners (*CIP*) that is investigating offshore wind generation opportunities in New Zealand.

We welcome the opportunity to make a submission to the Transport and Infrastructure Committee on the Offshore Renewable Energy Bill (*Bill*). The Bill's proposed permitting regime is an important step in advancing offshore wind development in New Zealand. A robust regulatory framework is one of the critical levers to unlocking the investment required to deliver offshore wind and the benefits that the sector can provide to New Zealand. We strongly support the Government's intent to pass the legislation, and supporting regulations, before the end of 2025.

While the Bill is a critical step, further work is needed to ensure New Zealand can benefit from the inflow of investment and creation of a large industry that successful deployment of offshore wind provides. This includes developing port infrastructure to accommodate offshore wind construction and operations, strengthening transmission planning to ensure efficient grid integration, and establishing mechanisms for price stabilisation to provide long-term investment certainty.

Taranaki Offshore Partnership

NZSF and CIP entered into a joint venture to invest in the development of offshore wind projects in New Zealand. After carrying out due diligence on a number of offshore sites around the country, we have identified the South Taranaki Bight as the prime area for development due to its world-class wind resource, relatively shallow waters and the presence of an established energy industry and associated infrastructure. We are also closely exploring the opportunity for offshore wind off the coast of Waikato.

Members of the partnership:

- Founded in 2012, CIP is the world's largest dedicated fund manager within greenfield renewable energy investments and a global leader in offshore wind. The funds managed by CIP focus on investments in offshore and onshore wind, solar PV, biomass and energy-from-waste, transmission and distribution, reserve capacity, storage, advanced bioenergy, and Power-to-X. CIP manages twelve funds and has to date raised approximately EUR 30 billion for investments in energy and associated infrastructure from more than 160 institutional investors including investors based in Aotearoa New Zealand and international superannuation funds. CIP has projects in 30+ countries across six continents. For more information, visit www.cip.com. Copenhagen Offshore

Partners (COP) is the exclusive global offshore wind development partner to CIP, including for projects in New Zealand.

- NZSF was set up to help the Government meet the future costs of providing universal superannuation. The Fund's assets, which are currently worth more than $NZ80 billion and include some $NZ8.4 billion (as at 30 June 2024) invested in Aotearoa New Zealand, are owned by the Crown on behalf of all New Zealanders. NZSF is managed by the Guardians of New Zealand Superannuation, an autonomous crown entity that operates independently of the Government of the day and invests the NZSF on a prudent, commercial basis and in accordance with its legislated mandate. NZSF's partnership with CIP on the South Taranaki Project reflects its commitment to exploring commercially attractive investment opportunities in New Zealand infrastructure and sits alongside its existing €125 million commitment to CIP's globally- focused Energy Transition Fund. For more information, visit https://nzsuperfund.nz/

Over the past three years, TOP has invested significant effort and capital into early investigations to progress offshore wind in New Zealand. Combining local knowledge and international experience, the TOP team is uniquely placed to develop offshore wind in New Zealand:

- NZSF is committed to the long-term success of New Zealand and draws on a skilled team of experienced investment, infrastructure, and sustainability professionals.
- CIP and COP have a proven track record in delivering offshore wind projects worldwide, having been leaders in project origination in new markets. This includes a robust pipeline of work for the APAC region, and offshore wind farms operating in Germany, South Korea, Taiwan. In Australia, CIP and COP are behind Southerly Ten, a recently established specialist offshore wind developer. Southerly Ten are developing Australia's most advanced offshore wind project – Star of the South, another project also located in Gippsland – Kut-Wut Bratauallung, and continue to progress opportunities to build the pipeline.

Project details

Offshore wind is one of the fastest-growing renewable energy technologies globally, helping to transition energy systems to a consistent and reliable form of renewable, low-carbon power. Offshore wind creates jobs and drives economic investment in coastal regions around the world at a much larger scale than most other renewable technologies.

In New Zealand, our key areas of interest are the South Taranaki Bight and the coast off Waikato. Of these areas, the Taranaki project is the more advanced, with the area of interest extending roughly 25-40km off the coast of South Taranaki, where the wind speeds and seabed depth are optimal for developing an offshore wind farm. An offshore wind farm of this size is expected to generate up to 1GW of power which could power over 650,000 New Zealand homes.

We continue to demonstrate our commitment to de-risking New Zealand's energy sector through significant investment in pre-feasibility activities. The depth and breadth of our pre-feasibility work is a key differentiator in our approach to progressing offshore wind for New Zealand. Highlights of our pre-feasibility work completed or underway include:

Industry Development

- We explored local job opportunities by mapping how existing skills in Taranaki align with offshore wind jobs, helping to support workforce development in the region.
- We assessed port readiness by studying the technical feasibility of using Port Taranaki and Pātea Harbour to support offshore wind construction and operations.
- We co-invested in research to highlight how offshore wind can play a key role in meeting New Zealand's growing demand for clean energy.

Energy Market

- We launched an ongoing electricity market analysis to better understand supply and demand shifts and their implication for the future of electricity security and affordability.
- We mapped out the most efficient and viable cable routes for offshore wind in the South Taranaki Bight through our own independent, in-depth analysis. In addition, we participated in a Transpower-led consortium, further enhancing our insights into the optimal cable route options for the region.
- We commissioned a Power-to-X study to understand the role offshore wind-generated electricity could play in developing a green hydrogen market in New Zealand and enabling identification of opportunities for integration and growth in the renewable energy sector.

Site Conditions

- We completed a 12-month floating LiDAR campaign in the South Taranaki Bight to measure wind speeds and wave conditions, providing critical data to optimise project design and performance and provide TOP the most advanced bankable dataset on wind speeds.
- We joined a consortium set up by oil & gas operator Beach Energy to deploy a fixed LiDAR on the Kupe platform to gain deeper insights into wind conditions, improving the accuracy of the wind assessment for the Taranaki project.

Stakeholder and Community Engagement

- We opened a local office in Hāwera to enable day-to-day community engagement and presentations on offshore wind.
- We established a Community Advisory Group with representatives from across South Taranaki to serve as a vital link between the project and local communities.
- We carried out stakeholder engagement in Waikato and mapped the synergies between this site and South Taranaki.

Environmental, Cultural and Technical

- We deployed three underwater microphones to monitor the presence and migration patterns of marine mammals in the Taranaki region. This study is the first of its kind in New Zealand and involved working with local suppliers in the Taranaki region to build key components and provide vessels and crew to deploy them.
- We established a technical working group including industry experts and representatives from iwi and the Department of Conservation to provide specialist insights and ensure

environmental, cultural and technical considerations are thoroughly assessed for responsible project development.

- We conducted seabird and marine mammal sensitivity studies in the Taranaki region to assess potential impacts on local wildlife and support design of appropriate mitigations.
- We completed desktop constraints mapping (including fisheries) in the Taranaki region to identify potential environmental and operational challenges to be considered in more advanced planning stages.

Offshore wind in Aotearoa New Zealand

While New Zealand's current electricity generation is highly renewable, a significant increase in new renewable generation will be needed as electricity becomes a larger part of the overall energy mix. Some of this future electricity demand will be met by onshore renewables, however there is growing evidence that onshore technologies alone will not be deployed fast enough and at sufficient scale to satisfy the demand growth. Offshore wind can fill this gap by diversifying the energy mix and delivering large scale generation in New Zealand. The benefits of offshore wind include:

- **Boosting regional economies and skill development:** Offshore wind projects are large infrastructure investments that drive long-term job creation, skill development and economic growth in local communities.
- **Less community impact and greater social acceptance:** Offshore wind projects typically face fewer community concerns and land-use conflicts, making them easier to develop with positive social license.
- **Powerful solution to meet growing electricity demand:** We estimate that a 1GW offshore wind farm can generate the same output as about 1.5GW of onshore wind (approx. 150km2 or 15,000 hectares) or 3.9GW of large-scale solar (approx. 100km2 or 10,000 hectares)[1]. This offers a more compact, efficient way to meet electricity needs.
- **Simplified grid integration:** A single offshore wind farm connected to the grid through one transmission point can reduce the need for extensive grid augmentation compared to multiple smaller projects.
- **Reliable power:** Offshore wind has a higher capacity factor meaning it provides more consistent generation, reducing the anticipated need for back up generation, making it a reliable part of the energy mix.
- **Enhanced grid resilience for the North Island:** Offshore wind connected to the North Island strengthens system security and resilience, helping to support the region's energy security and needs.
- **Supporting large scale industrial decarbonization:** the scale of offshore wind is sufficient to support and encourage large-scale industrial decarbonisation, while also enabling Power-to-X opportunities such as green hydrogen production to support broader decarbonization goals.

[1]Based on typical industry estimates, a 1GW offshore wind farm can achieve a capacity factor of around 50%. Onshore wind averages around 35%, and large-scale solar around 18%.

Key issues for discussion

Overall, we support the Bill and acknowledge the efforts of the Government and the Ministry of Business, Innovation & Employment (*MBIE*) to develop a pragmatic permitting framework in a timely manner. Prior to the introduction of the Bill, MBIE undertook open and thorough consultation. We are grateful for the opportunities to provide input.

We support several elements of the Bill, including:

- The Bill's purpose (clause 3) which appropriately identifies that the provision of investment certainty to developers is crucial to enable offshore renewable energy (ORE) developments that best meet New Zealand's national interests.
- We strongly support the Bill's requirement that the Minister consult with persons likely to be significantly affected by the regulations (clause 167(2)(a)). Given much of the detail of the permitting regime will be contained in regulations, it is crucial that the regulations are the subject of effective consultation by those affected.
- The Bill appropriately puts a stay on applications for ORE marine/resource consents that were made before the enactment of the Bill. This approach is important to allow the selection of ORE developments that best meet New Zealand's national interests, consistent with the purpose of the Bill.

The Bill proposes amendments to the Resource Management Act 1991 (RMA) and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act) to ensure that applicants for resource/marine consents hold a feasibility or commercial permit. We support the flexibility for developers to seek resource/marine consents before, concurrent to, or after obtaining a commercial permit.

Notwithstanding our overarching support of the Bill, we have identified several suggestions to assist it to effectively achieve its purpose and to enable investments in ORE. The proposed amendments, rationale and the specific proposed drafting changes are detailed in the attached **appendix**. While many of the proposed amendments are minor in isolation, together they are important to ensure the success of the new regulatory permitting and enforcement regime.

We believe the following amendments are prudent:

1. Enabling staging of projects (clauses 22, 36, 39 and 40)

The draft Bill does not provide flexibility for projects to be delivered in phases. We recommend amendments to the Bill to give applicants the ability to, within appropriate parameters, split or divide feasibility and commercial permits. This enables applicants to strategically respond to dynamic and evolving investment, technology, and market landscapes by staging the construction of the renewable energy infrastructure over time.

Amendments to the Bill are required to enable a feasibility permit holder to apply for a commercial permit for the first stage of construction and retain the remainder of the feasibility permit to support future applications for a commercial permit over the balance of the feasibility permit area. We suggest deleting the proposed maximum permit duration of 14 years for feasibility permits (with extensions). These amendments would ensure a feasibility permit does not automatically expire on granting of a commercial permit.

Additionally, the maximum total duration for a commercial permit of 80 years (with extensions) creates inefficiencies. Under the Bill, a commercial permit for a successfully operating ORE development would cease at year 80 and the developer would need to apply for a new feasibility permit (and may have to compete with other applications) even though infrastructure is already established. We note that the Australian ORE regime does not include maximum total durations, and instead allows for ongoing extensions. We seek amendments to this Bill to align with the Australian approach.

2. ORE feasibility activities definition unclear (clause 33 and 53)

The Bill does not clearly define which ORE feasibility activities are required to commence in the first 12 months of a feasibility permit. Developers will have a substantial commercial driver to progress feasibility activities as soon as possible but it is expected that the type of feasibility activities that are commenced will be aligned to the wider investment risk profile that applies to the ORE development.

More specifically, while a feasibility permit is a critical step in the delivery of offshore wind, material investment risks may remain and will influence the scheduling of investments in specific types of ORE feasibility activities. Examples of those wider investment risk factors include the progress towards developing port infrastructure to accommodate offshore wind construction and operations, the extent to which the strengthening of transmission planning to ensure efficient grid integration has been advanced, and pathway to achieving a bankable offtake.

Depending on the investment risk profile at the time of achieving a feasibility permit and during the first 12 months, ORE developers will require flexibility to manage the investment risk of delivering projects in new offshore wind markets such as New Zealand. This includes maintaining autonomy to determine the appropriate time to deploy high-cost feasibility activities, including environmental surveys and geotechnical campaigns.

We suggest the Bill is amended to include a requirement that permit holders demonstrate "reasonable progress or effort" towards implementing ORE feasibility activities within the first 12-months of the permit's start date. This would recognise the significant planning, engagement and desktop activities required to progress first projects in new markets. The amendment will support the delivery of offshore wind in New Zealand by ensuring projects can effectively implement their investment risk management approaches during the 7-year feasibility period.

The amendments we have proposed are analogous to those applying to the lapse of resource consents under the Resource Management Act 1991. The use of common terminology will provide greater certainty for both developers and the regulator.

3. Removing duplication with other regulatory regimes (clauses 3, 17, 35 and 95):

The Bill should be amended to ensure its permitting regime clearly excludes duplication of processes provided under other regulatory regimes (such as the RMA or the EEZ Act). Removal of duplication will ensure permitting efficiency and reduce the risk of inconsistent conditions being imposed.

We are concerned the proposed public participation requirement for feasibility permit rounds

could result in significant duplication and potential litigation. There is a risk that the process does not facilitate meaningful engagement as it occurs late in the decision-making process and does not involve applicants.

As demonstrated by our pre-feasibility activities, we are committed to genuine engagement with impacted iwi, community, and stakeholders. We believe the environmental consenting process under the RMA and EEZ Act and the pre-application consultation requirements will provide an opportunity for stakeholder involvement. We suggest the Bill is amended to ensure that submissions are focused on matters relevant to the permitting regime, and not matters that are addressed under other existing legislation.

4. More detail is required on decommissioning security (Part 3 – Decommissioning of ORE Infrastructure)

We support the requirement to maintain a form of financial security during certain periods of a project's life to provide assurance that the permit holder will undertake its decommissioning obligations. The necessity of bonding for large-scale and complex infrastructure projects is well-understood by market participants and developers.

The Bill includes no guidance, cap, or calculation regarding the amount, nature or term of financial security that must be provided by the applicant. These will be important matters for the industry. We request that a clear and consistent framework is agreed with Industry and provided in regulations or guidelines.

The timing of the security is likely to have the greatest impact on the cost of a project and should be considered closely. In recognition of 30 to 35-year lifetime of offshore wind projects, we suggest the financial security is posted after the 15th year of operations. This position:

- Reflects global industry practice.
  - the UK offshore regulatory regime allows for a secure and segregated decommissioning fund to start accruing during the middle of the life of an installation (rather than from pre-construction); and
  - in 2021, the Bureau of Ocean Energy Management (BOEM) deferred the requirement for Vineyard Wind 1 offshore wind farm to post financial security in the US until the 15th year of operations, noting that Vineyard Wind 1 had:
    - robust insurance policies in place, covering damage to the project;
    - used proven wind turbine technology; and
    - long-term power purchase agreements in effect, with guaranteed electricity sales prices, ensuring a predictable level of income over the life of the project that did not expose US taxpayers to undue risk during construction or the first 15 years of operations.
- Ensures that security is timed to coincide with a period of heightened operational and liquidity risks, as revenue contracts and the protection of lender step-in rights from third party financings start to fall away.

- Most fairly balances the significant cost of procuring security against the need to protect taxpayers from a developer failing to decommission an asset.

We request greater detail on acceptable methods for calculating the amount of security and acceptable forms of security, rather than the acceptability of a financial security arrangement being solely at the Minister's discretion. Acceptable forms of security should include, but not be limited to:

- Parent company guarantees (including from related persons)
- Self-insurance
- A cash deposit held by a financial institution
- A credit facility with a financial institution
- A guarantee from a financial institution
- An insurance policy with a general insurer.

5. Provide greater certainty regarding consideration of competing applications (clause 20)

We support having a clear and robust process to resolve competing applications for feasibility permits given the substantial rights that arise from the grant of those permits.

The Bill says the application with the "most merit" and that is "most suitable" will be preferred, however these terms are uncertain. We acknowledge that further detail as to how competing applications will be considered will be provided in regulations.

A competitive merit assessment should include adequate consideration of an applicant's understanding of development risks specific to New Zealand and the approach to prudently manage these risks. Based on our experience, where merit assessments have not rewarded prudent development, there is a risk that some applicants may "over promise and under deliver" at the feasibility stage or accelerate development before market conditions for successful development are established. New Zealand's ORE regime needs to provide measures to guard against these risks.

In addition, in the event overlapping applications are considered of equal merit, the Bill provides the option for the Minister to invite applicants to revise their application to remove the overlap. Based our experience in Australia, to achieve the best outcome for New Zealand and ensure each application remains viable, the resolution of an overlap is best achieved via negotiation between applicants.

While we agree in principle with the intention of the clause, our experience in Australia has been that similar wording had the consequence of triggering competition law. Based on the Bill's current drafting, New Zealand's competition law (specifically section 27 and 30 of the Commerce Act 1986) is also likely to prevent such engagement.In Australia, the Australian Competition & Consumer Commission (ACCC) granted special authorisation for applicants to communicate to resolve an overlap. We suggest Government review this clause as it relates to competition law to ensure that it can be delivered as intended.

6. Requirement for permit applications to relate to an area that is a "reasonable size" (clauses 16, 26, 37 and 58)

The Bill requires applications for feasibility permits to relate to an area that is a "reasonable size". It is currently unclear what factors would influence whether the Minister considers an application area to be a "reasonable size." No clear generation ratios/density expectations have been provided.

As drafted, this requirement is a "gateway test" (that is, an application will not be considered at all if it does not meet the requirement). We suggest that such matters may be more appropriately addressed as relevant considerations under Clause 19 and that the efficient use of space for ORE activities is included as a relevant consideration.

7. Need for flexibility in project design between feasibility and commercial permit stages (clause 21 and 29)

When determining a commercial permit application, the Bill requires the Minister to have regard for material changes to the benefits that were assessed as part of the feasibility permit application. It also requires a feasibility permit to specify the "proposed amount of power to be generated under a commercial permit". It is unclear how the Minister would assess changes to the generation estimate or material changes to the benefits when determining commercial permit application. This is a significant risk for Projects to take during the 7-year feasibility permit stage.

While applicants can take a preliminary view on design parameters and project generation capacity at feasibility permit stage, ultimately the design and size of the project at commercial permit stage will be determined by a range of factors, including the current market demand for offshore wind generation.

We suggest the Bill and/or supporting regulation specifically enables developers to provide a range of design parameters that include an anticipated generation capacity and technical parameter range at the feasibility permit stage, instead of a single, fixed design. This approach will enable applicants to accommodate technology advances, address environmental constraints/opportunities, allow for changing conditions and select the optimal design at the final stage.

8. Corporate structure

The Bill as drafted limits permit applicants to single entity body corporates and excludes for example unincorporated joint ventures from applying for a permit. This is inconsistent with the approach in the Crown Minerals Act 1991, which allows applications by persons including corporates and bodies of persons whether corporate or unincorporate. We see no reason to take a different approach under the Bill. Doing so may unnecessarily restrict investment and efficient future ownership structures involving ORE infrastructure.

9. The Minister should be required to consult with the applicant before granting any application in part (clauses 18 and 28)

The Bill anticipates that the Minister may grant a feasibility or commercial application *in part*. As granting part of an application may adversely impact the ability to practically implement an ORE development, the Minister should be required to engage with the applicant in relation to any commercial and practical implications prior to any partial grant. For example, there may be practical considerations that mean a reduced permit area would make the entire ORE commercially impracticable, which may be able to be mitigated with slight changes to boundaries. It would be more efficient to address these matters at the time of permitting, rather than requiring the applicant to seek a variation to the permit area, raising the risk of adjacent feasibility permits preventing such variation.

10. Appeal rights should be available for all key decisions (clause 165)

As drafted, the Bill does not provide appeal rights in relation to some of the key decisions that will be made under the regime established by the Bill, including the conditions imposed on permits. Given the critical importance of these decisions to the success of ORE development, we consider a right of appeal should be specified in the Bill.

11. Amend Fast-track Approvals Act 2024 to allow applications for approvals required for offshore renewable energy projects upon enactment of the Bill (new clauses 181 and 182)

We are committed to upholding high environmental, social and governance (ESG) standards in the delivery of offshore wind projects. This includes maintaining a high standard for stakeholder engagement and environmental approval processes. We consider it appropriate that the fast-track consenting pathway is unavailable while the permitting regime is established.

However, offshore renewable energy activities are likely to provide 'significant regional and national benefits. Providing access to an appropriately designed streamlined consenting pathway would therefore be consistent with the purpose of the FTAA. Any decision to access a streamlined regime would be contingent on review of its final design.

We therefore support the Government's intention to amend the Fast-track Approvals Act 2024 (FTAA) via the ORE Bill to allow permit holders to seek referral to the fast-track consenting pathway for an offshore renewable energy project.

12. Power to revoke a permit should be limited to follow enforcement action (clauses 53 - 56)

As drafted, the Bill gives the Minister significant discretion to revoke permits for any non-compliance (no matter how minor or quickly resolved) without sufficient process rigor. This unilateral revocation power could erode investor confidence and undermine the purpose of the ORE regime. Given the significant commercial consequences of revocation, the power to revoke permits should only be available following a robust enforcement process for significant offences. This will ensure that permit holders receive clear, timely notice and a reasonable opportunity to address any requirements before the Minister considers whether to revoke a permit.

13. Authorisation of persons acting on behalf of the permit holder (clauses 3A and 12):

We strongly support the prohibition on undertaking ORE generation infrastructure activities without a commercial permit (clause 12). However, as drafted, the Bill only allows the person that holds a commercial permit to undertake those activities. In practice, the permit holder will appoint a range of third parties to undertake ORE generation infrastructure activities. The Bill needs to allow those persons to rely on a commercial permit (see new clause 3A in the appendix).

Concluding comments

Thank you for the opportunity to provide our comments on the Bill. We acknowledge the significant efforts to progress consultation on the proposed permitting regime.

Overall, we support the Bill. Establishing an effective permitting regime is a first key step in providing the investment certainty required for offshore wind developers to move into the feasibility assessment stage of projects in Aotearoa New Zealand. We look forward to future work on the next steps required to deliver offshore wind, including providing clarity on enabling infrastructure, route to market and coordination to maximise the positive economic benefits at both the regional and national level.

We look forward to working with the Government to create a thriving offshore wind industry, providing high-quality jobs for regional workers and contributing to the nation's energy goals over the coming decades.

Our detailed submission, in addition to the summary points above, is attached.

We would appreciate the opportunity to present to the Select Committee in support of this submission and to respond to any questions that the Committee may have of us.

Kind Regards,

Charles Rattray, CEO Copenhagen Offshore Partners Australia & New Zealand, on behalf of Taranaki Offshore Partnership