

Date: 13 April 2023

To: Productivity Commission

Introduction

BlueFloat Energy and Elemental Group appreciate the opportunity to provide a submission to your issues paper on Supply Chain. We would welcome the opportunity to talk further with the Commission about any of the matters we raise below, or more generally.

BlueFloat Energy and Elemental Group are developing a portfolio of offshore wind projects in Aotearoa to accelerate the energy transition, and provide opportunities for the development of new or expanded green, advanced industries, to deliver enduring benefits for the communities in which we work. To date, we have announced the South Taranaki Offshore Wind Project and the Waikato Offshore Wind Project. More information is available at our project websites here:

1. <https://www.waikatooffshorewindproject.com/>
2. <https://southtaranakioffshorewindproject.com/>

With its unique ability to generate sustainable electricity at scale and with a consistent profile, we believe that offshore wind provides a key opportunity to significantly increase New Zealand's energy security and economic resilience, including by unlocking investment in power-to-x applications. This can ensure energy security beyond electricity by reducing reliance on imported liquid fuels and coal. Further, if long term targets for offshore wind (and other renewables) are set, local businesses can play an increased role in supply chains, thereby mitigating exposure to volatile and challenging global markets.

Improving Economic Resilience

We note the supply chain challenges that have been experienced in Aotearoa (and many other countries) in recent years, particularly following the COVID-19 pandemic.

Whilst the causes of these challenges, and potential solutions, are varied and complex, we offer below two focus areas which we believe would have a positive impact on economic resilience for Aotearoa.

Energy Security

The economic security of a country can be significantly increased by reducing reliance on key imports and increasing self-sufficiency by sourcing key economic inputs from one's home market. In order to maximise these opportunities, it is critical to ensure an abundant and secure supply of affordable energy in order to stimulate other domestic activity. In addition to affordable and secure energy supply, sustainability is a key consideration in order to mitigate the effects of climate change and ensure our nation's natural capital is enhanced.

Today, Aotearoa imports many commodities which are key to overall economic output. These include coal for power generation, liquid fuels for transport and fertilisers for agriculture. Going forward, these inputs could be displaced with locally produced renewable electricity or derivatives such as green hydrogen and green ammonia. By displacing these imports with

sustainable, locally produced energy products, New Zealand would significantly reduce its carbon emissions whilst substantially increasing its energy security and overall economic security.

Policies to support and enable increased investment in and development of renewable energy should be seen as a key enabler for supporting economic security in New Zealand, not only a mechanism for decarbonisation. In particular, we see consenting requirements and long term offtake mechanisms as being key enablers to unlock this investment and development.

Infrastructure Planning

Whilst energy security can make a material contribution to overall economic security for Aotearoa, we also note other supply chain challenges in relation to manufactured goods and equipment (in addition to skilled labour). These challenges can have implications for the pace at which energy projects are implemented and are therefore also important to address.

We note that long term infrastructure planning can be an important tool to mitigate these challenges, by sending the right investment signals to supply chain participants. Line of sight to a long term pipeline of work is a critical requirement for businesses to invest in their plant, equipment and people in order to deliver the projects required to ensure the economic prosperity of Aotearoa.

In relation to energy, we note the practice of numerous other countries to undertake long term electricity system planning and to set long term targets for the installation of new renewable generation. By taking these steps, local companies have a greater incentive to invest in capability in order to participate in these opportunities. Greater local participation reduces reliance on imported goods and talent, thereby reducing exposure to constrained global markets and supply chain challenges. For goods which must be imported, greater forward planning allows international supply chains to be established with sufficient scale to ensure resiliency.

Going forward

We would be pleased to discuss any aspects of our submission with you further.

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Yours sincerely



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