



# Beehive to Business with the Honourable Simeon Brown

## Allen + Clarke Summary of the Key Takeaways

---

*26 August 2024*





**ALLEN + CLARKE**

+64 4 890 7300

office@allenandclarke.co.nz

www.allenandclarke.co.nz



Measuring, managing  
and reducing our  
emissions for a  
sustainable future.



Allen + Clarke has been  
independently certified as  
compliant with ISO9001:2015  
Quality Management Systems.

## Our services

### Strategy + Governance

Strategy and governance define your organisation, and set the direction for every team member. We work with you to navigate the changing market to guide your team to success.



### Policy + Regulation

We partner with you to analyse policy settings, consult stakeholders and develop fit-for-purpose policy solutions.



### Evaluation + Research

We help you make informed strategic decisions by identifying what is working, where the gaps are, and inform future positive change.



### Change + Optimisation

Working alongside you, we help design operating models, frameworks, and ways of working that ensure you're maximising the benefits of the latest policy settings.



## Table of contents

Transport Portfolio.....	1
Local Government Portfolio .....	4
Energy Portfolio .....	5

### Foreword

In the recent Wellington Chamber of Commerce - Beehive to Business breakfast, the Honourable Simeon Brown spoke with business leaders about how he intends to address the challenges facing his Energy, Local Government and Transport portfolios. Keep reading for our key takeaways and summary of the discussion.

Please note: This is our write up and interpretation of the key messages from the session. Whilst we aim to reflect the discussion as accurately as possible, some parts may have been recorded / understood differently versus the in person experience.

## Transport Portfolio

### Key points

- The current government is focused on improving road maintenance, pothole prevention, ensuring an efficient public transport network and reducing temporary traffic management costs.
- Key projects, such as the second Mount Victoria tunnel in Wellington, are important to drive economic growth and urban development.
- Plans are in place to reverse blanket speed limit reductions.
- The Minister said that the Cook Strait ferries are safe until 2029 if maintained properly. The focus is now on assessing and deciding on the best approach for a future project.
- Future funding for local transport projects will require a demonstration of value and alignment with the Government Policy Statement on transport. Local councils can proceed with projects not aligned with this statement but must fund them independently.
- The clean car standard has been aligned with Australia's equivalent standard to ensure that emissions from imported vehicles decrease. Although EV adoption has slowed this year, it is expected to pick up as battery technology improves and prices drop.
- Congestion charges are being actively considered as a way to bring forward significant investment in transport infrastructure, as seen in other major cities around the world.



**Want invites to future events?**

*Join our mailing list for invites to free events, webinars, desk guides + more!*

**JOIN NOW**

## Summary of the discussion

The Minister discussed his view that the former administration focused on reducing speed limits and adding traffic calming measures, such as speed bumps, which the current government sees as counterproductive to economic growth and efficiency.

The current administration's approach, as outlined by the Minister, is about getting back to basics. This includes a significant increase in funding for road maintenance, specifically targeting pothole prevention and ensuring that the roading network is maintained to a high standard. The Minister highlighted that the Government Policy Statement on transport for the next three years focuses on improving the reliability of public transport, while laying the groundwork for major infrastructure projects.

A specific focus in Wellington is the Mount Victoria long tunnel project. The current government's stance is that people should have the freedom to choose their mode of transport, whether that is by car, bus or bike, without being penalised. The possibility of implementing tolls on Roads of National Significance was discussed, with reference to international examples where user-pays models have successfully funded infrastructure.

The Minister also stressed the importance of efficient project management, sharing his view of the significant waste associated with temporary traffic management, where up to half the cost of some projects is being spent on these measures. The government has issued a new code for traffic management, expecting quarterly reports on spending to ensure better value for taxpayers' money. Additionally, the Minister spoke about reversing the blanket speed limit reductions imposed by the previous government, advocating for a more targeted approach that balances safety with efficiency.

In summary, the Minister's transport policy is centred on restoring and improving the efficiency of New Zealand's transport network, reducing unnecessary costs and ensuring that future projects are well-scoped and aligned with broader economic goals.



## Transport questions and answers

### 1. Cook Strait Crossing Project

- **Question:** What is the current status of the Cook Strait crossing project and why was it cancelled?
- **Answer:** The Cook Strait crossing project was cancelled due to escalating costs and an overly ambitious scope, such as the 1 in 1,000-year earthquake resilience requirement. The government is committed to a resilient crossing and is considering diverse options, with the ferries considered safe until 2029 if maintained properly. The focus is now on assessing and deciding on the best approach for a future project.

### 2. Local Transport Projects and Funding

- **Question:** How will NZTA funding flow to local transport projects, like Thorndon Quay and the Golden Mile?
- **Answer:** These projects were approved under the previous government with no conditions attached, limiting the current government's ability to withdraw funding. However, future funding will require projects to demonstrate clear value and alignment with the Government Policy Statement on transport. Local councils can proceed with projects not aligned with this statement but must fund them independently.

### 3. Electric Vehicle (EV) Adoption

- **Question:** How does the government plan to encourage electric vehicle adoption, especially with the changes to subsidies?
- **Answer:** The government aims to see the transport system electrify over time. While the previous subsidy system was halted, the clean car standard has been aligned with Australia's to ensure that emissions from imported vehicles decrease. Although EV adoption has slowed this year, it is expected to pick up as battery technology improves and prices drop.

### 4. Congestion Charging

- **Question:** If congestion charging is implemented, how will the funds be used, and will it align with current transport policies?
- **Answer:** Congestion charging should not be seen as a revenue-raising tool but as a method to maximise the efficiency of the transport network. Funds generated will first cover the costs of maintaining and managing the system. Any surplus will be reinvested in projects that improve network efficiency, such as roads, public transport or cycling infrastructure, in alignment with the Government Policy Statement on transport.

# Local Government Portfolio

## Key points

- Highlighted the challenges with water infrastructure across New Zealand and the need for local councils to invest in this area.
- Highlighted the government's Local Water Done Well plan, allowing councils to set up Council-Controlled Organisations (CCOs) to manage water infrastructure with access to affordable debt financing.
- CCOs would have access to debt financing of up to 500% of their revenues, facilitated by the Local Government Funding Agency (LGFA), which offers lower-cost financing than typical debt markets.
- Merging water services will require careful planning, particularly in reconciling different levels of investment by various councils.
- New regulations will provide a framework to ensure investments in water infrastructure are efficient and deliver value for money.

## Helpful?

Get more great content and invites  
to free events direct to your inbox.

JOIN NOW

## Summary of the discussion

The Minister acknowledged that water infrastructure is one of the biggest challenges for local councils across New Zealand. Under the Local Water Done Well plan, which aims to provide a more affordable and flexible solution for councils, councils can set up Council-Controlled Organisations (CCOs), either independently or in partnership with other councils.

These CCOs would have access to debt financing of up to 500% of their revenues, facilitated by the Local Government Funding Agency (LGFA), which offers lower-cost financing than typical debt markets. The Minister emphasised that this plan allows councils to make long-term investments in water infrastructure while freeing up debt headroom on their balance sheets. However, he stressed that this financial flexibility should not be used for non-essential projects, such as convention centres, but should be focused on addressing critical infrastructure needs or reducing the rate burden on ratepayers.

The Minister also highlighted the need for scale in water infrastructure projects, urging councils to collaborate to achieve efficiencies and better outcomes. He pointed out that merging water services will require careful planning, particularly in reconciling different levels of investment by various councils. The process of merging assets and debt into a single entity will take time, and councils will need to manage community expectations during this transition.

The Minister also mentioned the upcoming legislation that will further support the Local Water Done Well plan. This legislation will provide a framework for economic regulation, ensuring





that investments in water infrastructure are efficient and deliver value for money. The Minister encouraged Wellington councils to work together swiftly to set up a regional CCO to address the city's water infrastructure challenges, reflecting the urgency of the situation.

## Local Government questions and answers

### 1. Water Infrastructure Funding

- **Question:** Is there government funding for local water infrastructure, and can councils choose to manage water infrastructure independently or in partnership?
- **Answer:** There is no direct government funding for local water infrastructure. Instead, the government provides financing tools for councils to use. Councils have the flexibility to either manage their water infrastructure independently or in partnership with other councils, but the government encourages collaboration to achieve scale and efficiency.

## Energy Portfolio

### Key points

- New Zealand's electricity prices are among the highest in the OECD.
- The Minister discussed the severe energy shortage in New Zealand, exacerbated by past policies that restricted gas exploration and aimed for 100% renewable energy by 2030.
- The Government has, or plans to, cancel the Lake Onslow project, reverse the ban on oil and gas exploration and consider importing liquefied natural gas (LNG) to address the immediate energy needs.
- Since cancelling the Lake Onslow project, 650 megawatts of new generation projects have been announced.
- Emphasised the importance of maintaining competitive electricity prices to prevent de-industrialisation and job losses.
- Achieving net-zero emissions by 2050 is still the goal, but this must be balanced with the need for affordable and reliable energy today.

### What's on next?

*We always have new things coming up. Check out our next events.*

**CLICK HERE**

## Summary of the discussion

The Minister expressed serious concerns about the current state of New Zealand's energy system. He highlighted the severe energy shortages the country is facing, exacerbated by previous policies that restricted gas exploration and aimed for 100% renewable energy by 2030. He argued that these policies have had a significant chilling effect on new energy generation investments, leading to the current situation where New Zealand's electricity prices are among the highest in the OECD.

The Minister noted that the country is experiencing its driest year since 1992, with low lake levels and insufficient wind to meet energy demands. Additionally, the downgrades in gas supplies have further strained the energy system. The lack of investment in new gas peaker plants, combined with the previous government's push for the Lake Onslow pumped hydro project, has left New Zealand vulnerable to energy shortages.

In response to these challenges, the current government have taken several decisive actions. They have cancelled the Lake Onslow project, since then there has been a significant increase in commitments for new energy production, with 650 megawatts of new generation announced. The government has also reversed the previous administration's goal of achieving 100% renewable electricity by 2030, recognising that this target was unrealistic and detrimental to the country's energy security.



The reversal of the ban on offshore oil and gas exploration ensures both environmental sustainability and energy security. The government is also considering the importation of liquefied natural gas (LNG) as a short- to medium-term solution to fill the energy gap. While this is not a decision to be taken lightly, the Minister highlighted the urgency of addressing the current energy shortages to prevent further economic damage and job losses.





The Minister also stressed the importance of maintaining internationally competitive electricity prices, warning that high energy costs could lead to the rapid de-industrialisation of New Zealand. He highlighted the government's long-term goal of achieving net-zero emissions by 2050 but cautioned that this must be balanced with the need for affordable and reliable energy today. The government is taking further advice on how to best address the energy shortages, including the potential role of LNG imports.

## Energy questions and answers

### 1. Energy Market Structure

- **Question:** Given the current energy shortages, is the government considering changes to the energy market structure?
- **Answer:** The primary issue is not the structure of the market but the shortage of energy supply. The government is taking steps to increase energy availability and ensure that the Electricity Authority prevents price gouging. The focus is on resolving the energy shortage and ensuring the market is responsive to new technologies and opportunities.

### 2. Offshore Renewables Policy

- **Question:** When can we expect updates on the offshore renewables policy?
- **Answer:** The government has published a timeline for the offshore renewables policy, with legislation expected in the House by the end of the year. The timeline has been set to provide confidence and ensure the necessary policy decisions are made.



**ALLEN + CLARKE**

- 
- +64 4 890 7300
- [office@allenandclarke.co.nz](mailto:office@allenandclarke.co.nz)
- [www.allenandclarke.co.nz](http://www.allenandclarke.co.nz)