



**To:** The Economic Development, Science, and Innovation Committee

**From:** Wood Processors and Manufacturers Association

**Date:** 1 October 2024

**Subject:** **Crown Minerals Amendment Bill submission**

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## **1. Introduction**

- 1.1 The Wood Processors and Manufacturers Association (WPMA) submits in support of the Crown Minerals Amendment Bill, with our emphasis on ensuring future energy security at affordable prices.
- 1.2 We are supportive of the Government's objective of promoting petroleum exploration and production, to ensure gas remains a transition fuel until viable and cost-effective alternatives are in place.
- 1.3 The cost of gas and electricity in the wholesale market has become a significant threat to the global competitiveness of New Zealand manufacturers, particularly wood processors and manufacturers. Feedback from our members highlights the adverse impact that electricity and gas price increases are having on their businesses, with three mills closing in the last month and several more downsizing as a means of reducing costs.
- 1.4 Wood processing is a sustainable, long-term investment that benefits both our economy and decarbonisation of New Zealand. By supporting this Bill, WPMA submit that the potential future increase in exploration and subsequent energy supply options through greater gas availability will assist in incentivising market certainty and encourage investment in our industry.
- 1.5 To ensure long-term certainty with this Bill we call on cross-party support. New Zealand must work together to address our energy shortage and ensure the long-term viability of future energy supply, along with providing support to our wood processing and manufacturing industry.
- 1.6 As outlined within the General Policy Statement gas plays an essential role in our energy system – now and in the future. WPMA agrees that petroleum is a valuable national asset and has an important role to play in improving New Zealand's security of energy supply, improving outcomes for consumers and our critical industries.

### **Wish to Be Heard**

The Wood Processors and Manufacturers Association would appreciate the opportunity to be heard in relation to our submission.

## **2. Discussion Points**

2.1 The wood processing and manufacturing industry prides itself on being a low-carbon operator that takes renewable resources and turns them into value added eco-friendly materials. Examples include pulp, paper, panels, sawn timber, and engineered wood products.

2.2 Our industry provides close to \$5 billion in domestic and export revenue to the New Zealand economy, employs 38,000 regionally based staff providing essential support to local communities, along with supporting our circular bio-economy, climate change targets, and domestic processing of logs.

2.3 Wood processing and manufacturing mills are unique in that a large percentage of their energy needs are utilised from recovered wood fibre and biomass. As an example, one of our larger pulp and paper mills uses wood fibre to generate over 77 percent of the company's energy needs. Steam, solar power and black liquor are examples of other renewable energy sources used for onsite energy generation.

2.4 However, as a high energy intensive industry, mills are reliant on electricity and gas generation for day-to-day business operations. Our industry has been severely impacted by the decline in our natural gas resources due to the exploration ban enacted in 2018 by the previous government, along with the fluctuating electricity generation over the last 6 years.

2.5 As documented in the media over the last few weeks mill closures at Tangiwai, Karioi, and Penrose have been driven by a lack of confidence in future electricity and gas availability and costs. With electricity accounting for up to 40 percent of input operational costs and no immediate solutions available, the only option for the mills has been closure.

2.6 Not only is the energy crisis affecting our large mills, many of our smaller New Zealand family-owned mills are also being impacted. Some of the feedback we have received from members is outlined as follows:

- The energy price rises are devastating and there is no way we can pass increased costs onto our customers.
- We have been through energy crises before, but the spot price has never been as high as this time.
- We could be faced with a gross loss situation and run out of cash within 1 to 2 months at the longest.
- We will be impacted when we negotiate our next energy supply agreement.
- It was when we came off contract 1.5 years ago, our rates doubled, even with a 60-month fixed rate term. If we signed any shorter term, the price was going to be almost 7 times higher.

2.7 To expand further, from a natural gas perspective there are serious concerns around depth of supply. Gas production has been on a steady decline since 2019 and unable to meet demand. Unlike for electricity, where supply fluctuations occur in both directions, the decline in gas supply is steady and consistent and without reversing the current exploration ban there is no reason to expect a change in direction.

2.8 As outlined by the Minister for Energy, Simeon Brown, natural gas production in New Zealand dropped by 12.5 percent in 2023 and by a further 27.8 percent for the first three months of this year, creating a nationwide shortage.

2.9 To ensure long-term certainty with this Bill we call on cross-party support. New Zealand must work together to address our energy shortage and ensure the long-term viability of future energy supply, along with our wood processing and manufacturing industry. We need action now from all political parties to build the energy future for all of New Zealand.

**END**

## **The Wood Processors and Manufacturers Association**

### **About us:**

The Wood Processors and Manufacturers Association (WPMA) is a voluntary funded industry association with a strong focus on promoting wood as the heart of a future zero-carbon economy.

Our members are leaders in the New Zealand wood industry converting harvested logs into a wide range of products including sawn lumber, pulp, paper, panels, laminated products, mouldings, and engineered wood, through to the development of bioenergy solutions.

Total sales of industry products both domestically and globally in 2023 were approximately \$5 billion. The industry employs close to 38,000 staff, mostly in the New Zealand regions.

<https://www.wpma.org.nz/>

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