

# Ridgway Capital Projects Limited

## News Release

**21 May 2006**

### **A Perspective On New Zealand's Energy Security**

This year's budget saw the government direct \$800 million from Meridian Energy to roading. In doing so, the government was effectively transferring capital from the development of renewable energy assets to assets that will accelerate consumption of fossil fuels. This irony is probably not lost on the Green Party, but it underlines an issue that is going to call on us New Zealanders to make some tough decisions if we want to preserve our standard of living and continue living peacefully.

The issue is how we balance energy supply and demand. Here we need to be careful to think of energy not simply in terms of electricity, because much of our energy consumption is for transportation. Sure we've got some serious systemic issues and investment to make in the electricity system, but almost all of our electricity is generated using fuels that are sourced within New Zealand and around two thirds of these are renewable, so we're not doing too badly. By contrast, how we fuel our transport needs is deserving of its own share of attention and for guidance on how we might feel about this we need to look at some worldwide issues.

Almost every vehicle that moves us and the things we need to live uses oil that is imported. Roughly twenty percent of the world's oil comes from Saudi oil fields and the huge price-balancing reserves that are controlled by the Saudi Royal family. In turn, the family has a tenuous relationship with some quarters of its population and this fuels considerable unrest. If Middle Eastern tensions spill over, it is conceivable that oil prices will hit unprecedented levels and wreak long term havoc on our economy.

Under these conditions, it is no surprise that Iran is planning for nuclear power and, proliferation issues aside, more developing countries will follow suit. Equally, U.S engagement in the Middle East is linked to securing its energy supply, but back home it is in a parallel quest for energy self sufficiency. We should be doing the same by reducing consumption, finding our own reserves and thinking beyond oil.

This is where it gets tough though, because reducing consumption and clean burning fuels like bio-fuels and hydrogen, vitally important as they are, are just part of the answer or some time away. Of course we should look at telecommuting technologies to reduce trips, electrifying more of the rail system using renewable electricity and developing better urban transport systems for instance. However, we also need to face up to the need to invest in oil and gas exploration and how we best use Southland's coal for transport fuels. Aside from securing our energy needs, we stand to gain economically through the creation of new jobs and by reducing the export of our petrodollars.

This all means making some trade-offs between quality of life, the environment and personal self interest. No one wants a project in their back yard and the Resource Management Act might make it easy for local groups to stall projects that are actually in our best national interest. However, inaction will actually limit our choices in the long run because planning the best outcomes takes time. If we run ourselves out of time, we will make sub-optimal choices, so we need to make best use of this most scarce resource by thinking as a team to make the best collective judgments.

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