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Felicity Wolfe - Thu, 16 Nov 2017



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A balanced approach to digitalisation, decentralisation and decarbonisation will help New Zealand's energy sector retain its top-10 ranking in a global performance index into the future, the BusinessNZ Energy Council says.

New Zealand has retained its ninth position in the World Energy Council's annual trilemma index, which ranks 125 countries on the relative security, affordability and environmental performance of their energy sectors. New Zealand was again also the only non-European country in the global top-10.

BEC manager John Carnegie says digitalisation, decentralisation and decarbonisation are three growing trends driving a "time of transition" for the world's energy industries. They will all have an impact on the trilemma criteria.

New Zealand is already among the world leaders in digitalisation and can leverage that to help achieve the decarbonisation goals of the new Government, he says. Linking those with the challenge of the increasing decentralisation of energy allows industry and policymakers to consider "the other outcomes that you're also trying to achieve".

Carnegie says the "three Ds" are important when setting policies and frameworks to enable consumers to gain benefits and value from new technologies.

"It's about having frameworks that unlock those things."

Carnegie says policymakers should keep this year's [trilemma ranking](#) [2] in mind, particularly during the design of the Government's forthcoming electricity retail review. It suggests nothing is "fundamentally broken" in New Zealand's electricity industry and markets but that there is work to be done.

"The key message is that there is no burning platform."

Affordability performance

Denmark again leads the top-10, followed by Sweden, Switzerland, the Netherlands, the UK, Germany, Norway, France, New Zealand and Slovenia. Australia was this year ranked 33rd globally, from 31st last year. In the Asia-Pacific region it ranks below Singapore at 22 and, Japan at 30.

The UK was ranked fifth overall, from 11th last year. The WEC saw improvement in all three of the trilemma dimensions, but warned the UK still faces some energy security challenges. These include falling domestic oil and gas production and the impending closure of ageing nuclear plants.

Renewable generation growth, while steady, was not at a pace that will meet the other declines.

BEC chair David Caygill says New Zealand's ranking suggests it is in a good position, with particularly good energy security and equity performances.

Being ranked 13th of 36 OECD countries for energy affordability is particularly noteworthy "given our size and remote geographic location".

"Unlike many European nations, we must import our transport fuels over significant distances and cannot rely on interconnection from other countries for our electricity and gas supplies."

Mix

New Zealand's environmental performance remains the weakest link in its trilemma performance. Despite a highly renewable generation mix, the country's continued reliance on carbon-intensive process heat and transport saw its environmental ranking slide to 42nd, from 36th during the past two years.

Carnegie notes the slide is largely due to the rapid improvements being made by some other countries – such as Egypt and Lithuania – which are coming off a low base.

But he says it also suggests there are potential "leapfrog" opportunities from looking at what other countries are doing and adopting the technologies, policies and best practices which suit New Zealand's circumstances.

The WEC highlights the new Government and the effect a stronger policy focus on climate change targets as a key "trend to watch" in New Zealand.

The existing energy policy framework - the New Zealand Energy Strategy and the New Zealand Energy Efficiency and Conservation Strategy - is seen by the council as working together to shape the country's trilemma performance.

"The NZEECS's priority areas of renewable and efficient use of process heat, efficient and low-emissions transport, and innovative and efficient use of electricity nest within the broader NZES's four priorities (diverse resource development, environmental responsibility, efficient use of energy, and secure and affordable energy)".

Drivers

The WEC also notes current discussions on how the country can successfully leverage off an already high proportion of renewable electricity generation and how to respond to the Paris Agreement imperative, alongside a long-term economic transition to a low-emissions economy.

It also points to the implications of growing natural resource constraints, especially of water and the effects that could have on electricity generation and agriculture.

The council also highlights the shift of investment underway from energy hardware - pipes and wires - to software such as blockchain and peer-to-peer trading. That will have flow-on effects on energy demand, future competition, network regulation and prices.

Caygill says new technologies and systems are set to "revolutionise" production and consumption of energy. They offer unprecedented opportunities for energy efficiency and emissions reductions "but will require new ways of thinking".

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