MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Simeon Brown, Hon Melissa Lee and Hon David Seymour	**Portfolio**	Energy
Title of Briefing	Budget 2024 – Energy Portfolio Information	**Date to be published**	15 August 2024

List of documents to be proactively released		
Date	**Title**	**Author**
2 February 2024	Budget 2024 - Energy Portfolio Information	Privacy of natural persons

Information redacted **YES ~~/ NO~~**

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MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
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BRIEFING

Budget 2024: Energy portfolio information for your discussion with Hon David Seymour

Date:	2 February 2024	**Priority:**	High
Security classification:	Budget - Sensitive	**Tracking number:**	2324-1868

Action sought		
	Action sought	**Deadline**
Hon David Seymour **Associate Minister of Finance**	To inform your upcoming discussion	5 February 2024
Hon Simeon Brown **Minister for Energy**	To inform your upcoming discussion	5 February 2024
Hon Melissa Lee **Minister for Economic Development**	For your information	

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Justine Cannon	General Manager, Energy Markets	Privacy of natural persons	✓
Privacy of natural persons	Policy Director, Energy Markets	Privacy of natural persons	

The following departments/agencies have been consulted

Minister's office to complete:

- ☐ Approved
- ☐ Noted
- ☐ Seen
- ☐ See Minister's Notes
- ☐ Declined
- ☐ Needs change
- ☐ Overtaken by Events
- ☐ Withdrawn

Comments

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
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BRIEFING

Budget 2024: Energy portfolio information for your discussion with Hon David Seymour

Date:	2 February 2024	**Priority:**	High
Security classification:	Budget - Sensitive	**Tracking number:**	2324-1868

Purpose

To provide financial information about the Energy portfolio for your upcoming discussion in the week beginning 5 February 2024.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a. **Note** we propose savings that amount to 14.5 per cent of the total Energy portfolio appropriations

Noted

b. **Agree** to the following $6.115m departmental baseline savings for the Energy portfolio:

$ million					Total Savings in forecast period	Decision
Departmental Expenditure Savings Options						
Information Services					$1.796m	*Yes/No*
2024/25	*2025/26*	*2026/27*	*2027/28*			
0.449	*0.449*	*0.449*	*0.449*			
Monitoring and Enforcement of an Energy and Emissions Reporting Scheme For Large Energy Users					$4.319m	*Yes/No*
2024/25	*2025/26*	*2026/27*	*2027/28*			
1.229	*1.234*	*0.928*	*0.928*			
Total Departmental Savings Options					**$6.115m**	

c. **Agree** to the following $212.379 non-departmental baseline savings for the Energy portfolio:

$ million					Total Savings in forecast period	Decision
Non-Departmental Expenditure Savings Options						
EECA Operational Savings					$47.220m	*Yes/No*
2024/25	*2025/26*	*2026/27*	*2027/28*			
11.879	*11.981*	*11.680*	*11.680*			
Warmer Kiwi Homes implementation costs (EECA)					$3.000m	*Yes/No*
2024/25	*2025/26*	*2026/27*	*2027/28*			
1.000	*1.000*	*1.000*	-			
Warmer Kiwi Homes – grant funding (EECA)					$85.109m	*Yes/No*
2024/25	*2025/26*	*2026/27*	*2027/28*			
14.183	*27.963*	*42.963*	-			

Warmer Kiwi Homes – LED lighting (EECA)				$15.000m	*Yes/No*
2024/25	*2025/26*	*2026/27*	*2027/28*		
5.000	*5.000*	*5.000*	*-*		
Confidential advice to Government					
Low Emission Transport Fund Freight Decarbonisation (EECA)				$14.000m	*Yes/No*
2024/25	*2025/26*	*2026/27*	*2027/28*		
12.000	*2.000*	*-*	*-*		
Confidential advice to Government					
Support for Energy Education in Communities (MBIE)				$2.950m	*Yes/No*
2024/25	*2025/26*	*2026/27*	*2027/28*		
0.738	*0.738*	*0.738*	*0.738*		
Renewable Energy in Communities and Network Innovation Funding (MBIE)				$21.000m	*Yes/No*
2024/25	*2025/26*	*2026/27*	*2027/28*		
7.000	*7.000*	*7.000*	*-*		
Total Non-Departmental Savings Options				**$212.379**	

d. **Agree** to including the savings in recommendation c. above that relate to Warmer Kiwi Homes in the calculation of MBIE's baseline savings, given the savings directly improve the Crown's operating balance.

Agree / Disagree / Discuss

Justine Cannon
General Manager, Energy Markets
Building, Resources and Markets, MBIE

2 / 2 / 2024

Hon Simeon Brown
Minister for Energy

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Hon David Seymour
Associate Minister of Finance

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Hon Melissa Lee
Minister for Economic Development

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Background

1. In January 2024, the Minister of Finance directed MBIE to reduce its baselines by $233.9 million (7.5 per cent) and, as part of this, to consider growth in FTE numbers since 2017. The Minister of Finance requested that portfolio ministers work with Hon David Seymour, Associate Minister of Finance, to identify where savings are appropriate.

2. To support the bilateral discussion between the Associate Minister of Finance and the Minister for Energy in the week beginning 5 February 2024, this briefing:

    a. Describes the functions of the Energy portfolio.

    b. Provides an overview of changes in expenditure and FTEs between 2017 and 2023.

    c. Describes the alignment of current expenditure with the Government's Energy portfolio priorities.

    d. Outlines options for stopping or reducing activity to deliver savings.

Description of programmes within the portfolio

3. The Energy portfolio covers the institutions and markets involved in the production, supply and consumption of energy – including electricity, gas, liquid fuel, and new fuels. The departments/agencies and their functions covered by the portfolio are as follows:

    a. **MBIE Departmental** functions include the delivery of policy advice (and related services), the provision of energy information, analysis, and modelling, and fuel resilience monitoring and planning.

    b. **MBIE non-Departmental** functions include the delivery of grant funding to support energy affordability, innovation and resilience, the management of oil stocks to meet New Zealand's International Energy Agency Treaty obligations, and funding Ara Ake – New Zealand's Future Energy Centre.

    c. The **Electricity Authority** is an independent Crown entity, with responsibility for the governance and regulation of New Zealand's electricity industry. The Authority is funded through a levy on electricity industry participants.

    d. The **Energy Efficiency and Conservation Authority (EECA)** is a Crown agency with the role to encourage, promote, and support energy efficiency, energy conservation, and the use of renewable sources of energy.

Breakdown of expenditure and FTE growth since 2017

4. The table below shows the increase in FTE and appropriations in Energy and Resources (noting these were delivered as one Portfolio) over this period. The remainder of this section outlines the key drivers of this growth for MBIE, the Electricity Authority, and EECA respectively.

Portfolio	MBIE FTEs 2016/17	MBIE FTEs 2023/24	Departmental '$000		Non-Departmental '$000	
			2016/17	2023/24	2016/17	2023/24
Energy		75.4		32,491*		680,897
Resources		76.5		38,044		104,537
Energy and Resources	97.4		25,736		116,784	
Total	**97.4**	**151.9**	**25,736**	**70,535**	**116,784**	**785,434**

*Includes Resources Policy, we estimate this would be approx. $30,260,000 excluding Resources Policy

MBIE expenditure and FTE

5. The energy sector, and associated policy work, was largely in a steady-state in the two-decades to 2020. For example, there was no growth in energy demand over this period, the make-up of our electricity generation remained stable, and energy prices remained relatively steady. New challenges, risks and opportunities, for the energy sector began to take increasing effect towards the end of the last decade. This has also been reflected in the work required of MBIE.

6. This sub-section sets out where new functions or projects were undertaken by MBIE over the period 2017-2023 and indicates where these received specific funding. This is divided into work related to (1) managing challenges arising from the energy system transition, (2) promoting energy affordability, and (3) ensuring fuel security. Annex One illustrates this information out in table form.

(1) Managing challenges arising from the energy system transition

7. The following new functions or projects were undertaken in relation to the energy system transition over the period 2017-2023:

   a. From around 2020 the energy portfolio began providing advice on energy's role in meeting our Climate obligations and developed the energy components of the first Emissions Reduction Plan. This work was undertaken from within baselines.

   b. In 2020, the New Zealand Battery Project was established to explore options to solve the dry-year problem. This project received specific funding, the remainder of which was returned through the December 2023 mini-Budget. The team has now been disestablished.

   c. In 2021 MBIE and the Gas Industry Company began work on a Gas Transition Plan to outline transition pathways for the use of gas to 2035 and give certainty to the sector. This work was undertaken from within baselines.

   d. In 2021, the energy portfolio began work on a sustainable biofuels obligation to decrease emissions from transport fuels. This work was undertaken from within baselines and was discontinued in February 2023.

   e. In 2022, the energy portfolio commenced new projects to manage challenges and achieve opportunities for the energy system associated with the transition to a net-zero

economy by 2050. These projects received new funding, most of which was time-limited. This included:

i. Investigating the need for additional electricity market measures that support affordable, reliable and resilient electricity supply while New Zealand transitions to a more renewable electricity system

ii. Developing a new regulatory regime for offshore renewable energy developments

iii. Developing an energy strategy to address strategic challenges through the transition

iv. Developing a Hydrogen Roadmap to set out the pathway for establishing a hydrogen industry in New Zealand

v. Work to reduce business energy emissions, including through partnerships with large emitters under GIDI (since discontinued), developing an Energy Emissions Reporting Scheme to improve information and reporting on energy emissions by large emitters, and developing a plan of actions to reduce industrial emissions.

f. In 2023, the portfolio commenced work to design a network innovation fund, to support demand response systems that help manage peak electricity demand and improve electricity network resilience. This programme received new funding.

(2) Promoting energy affordability

8. The following new functions or projects were undertaken in relation to energy affordability over the period 2017-2023:

a. Work to support the Electricity Price Review in 2018/2019 and respond to the Review's recommendations thereafter, including establishing and supporting an energy hardship expert panel, amendments to the Electricity Industry Act, and phasing out low fixed charge tariff regulations. This programme received specific funding and has been completed.

b. Following the Electricity Price Review, the Support for Energy Education in Communities programme was established in 2020, to fund community-level energy education to help households in need. This programme received specific funding.

c. In 2020, the Government established a new fund to trial renewable energy technologies on Māori and public housing. This programme received specific funding and has been completed.

d. Following the Commerce Commission's fuel market study, MBIE developed a new regulatory regime under the Fuel Industry Act 2020 to improve competition in the retail fuel market. This work was undertaken from within baselines.

e. From 2021 work commenced on legislative amendments to enable smart EV charging standards to be set, with a view to allowing consumers to take advantage of lower off-peak prices and minimising the amount of network build needed by shifting demand to off-peak times. This work was undertaken from within baselines.

f. In 2022, the Government established a new fund to deliver small-scale renewable energy developments to improve communities' access to secure, renewable, and more affordable energy. This programme received specific funding.

(3) Ensuring fuel security

9. The following new functions or projects were undertaken relating to fuel security over the period 2017-2023 (all undertaken from within baselines):

a. Advice related to fuel security implications of the closure of the Marsden Point oil refinery.

b. Development of new fuel resilience measures, including legislation requiring onshore fuel stockholding, diesel procurement, and improved information gathering and monitoring.

Electricity Authority expenditure and FTE

10. The table below shows the increase in the Authority's FTE and appropriation between 2016/17 and 2023/24. The Authority is funded by the Crown through appropriations and this funding is recovered through a levy on electricity industry participants. The Authority publicly consults on its levies each year in accordance with the Electricity Industry Act 2010.

	Authority FTEs 2017	Authority FTEs 2023	Authority Funding 2016/17 '$000	Authority Funding 2023/24 '$000
Authority Operations	59	117	20,600	30,300
Contracts for running the electricity system and market			52,500	70,500
Total	**59**	**117**	**73,100**	**100,800**

11. The appropriation for the Authority covers two clearly defined areas – operations of the Authority and third-party contracts for a range of services that enable the functioning of the electricity system and markets.

12. Currently, the cost of third-party contracts amounts to about $70 million and accounts for about 70 per cent of the Authority's appropriation. This includes contracts for the system operator (a part of Transpower) which coordinates electricity supply and demand in real time, and NZX which operates the wholesale information and trading system that supports the 24/7 buying and selling of spot market electricity.

13. The growth outside of Authority operating expenditure has been driven by meeting increased costs from the system operator and other service providers. Over this period the system operator and other services providers have had to expand and develop new services to keep pace with a rapidly changing industry. The increases in third-party contracts are due to:

    a. The electricity system becoming more complex, resulting in third parties needing to do more and requiring more funding to do so, and

    b. Third-party contracts being inflation adjusted. Third parties are paid more as inflation increases, and this currently comes out of funding for the Authority's core operations.

14. The drivers of the change in the Authority's operating funding and FTEs include the following:

    a. The Authority's operating expenses were largely static from 2011/12 to 2018/19 which meant cost pressures were absorbed over this 8-year period. In recent years, funding increases addressed some of these cost pressures, and funded new and expanded policy programmes, including:

        i. implementing recommendations of the August 9 electricity outage review,

        ii. the future security and resilience work programme,

        iii. implementing the Electricity Industry Act Amendment Bill,

        iv. undertaking the wholesale market competition review, and

v. implementing real time pricing.

b. FTE growth reflects an increase in capacity to meet the above expansion in scope of work, including:

i. A new Future Security and Resilience team to help ensure the electricity system remains secure and resilient in the coming decades.

ii. Additional resourcing to meet the changes to the Electricity Industry Act, such as the additional statutory objective.

iii. Expansion of monitoring and compliance capacity.

15. Annex Four includes information on the Authority's cash reserves at end June 2023.

EECA expenditure and FTE

16. The table below shows the increase in EECA's FTE and funding between 2016/17 and 2023/24.

	EECA FTEs 2017	EECA FTEs 2023	EECA Expenditure 2016/17 '$000	EECA Expenditure 2023/24 '$000
EECA Operations*	75	146	21,000	43,000
Grant funding			12,000	252,000
Total	**75**	**146**	**$33,000**	**$295,300**

17. Annex Two provides more detail on the individual programmes and projects EECA currently delivers, and associated FTE and funding, split into the three main levers EECA uses to fulfil its role:

a. delivering funding or co-investment to support the uptake of energy efficient technologies and renewable energy,

b. developing and communicating credible information to encourage clean energy choices,

c. regulation, including minimum energy efficiency standards for products and appliances.

18. The main driver of this change is the addition of new or expanded programmes including the Government Investment in Decarbonising Industry (GIDI) fund, the Warmer Kiwi Homes programme, public EV charging hubs and infrastructure. Note that $83.4m of the revenue in 2023/24 relates to GIDI, which was discontinued through December 2023's Mini Budget. The uncommitted GIDI funds for 2023/24 and outyears have been returned.

19. Annex Four includes information on EECA's cash reserves at end June 2023.

Alignment of current expenditure with Government priorities

20. Key portfolio priorities have been set out in Ministerial priority letters (to the Prime Minister). In the Energy portfolio, these are:

Priority 1: Security of supply, noting New Zealand's electricity and gas systems face growing security of supply challenges both over the short and longer terms.

Priority 2: Electrify NZ, cutting red tape to drive investment in renewables including through removing consenting barriers, enabling the use of offshore renewable energy, and ensuring fit-for-purpose cost recovery rules for network infrastructure.

Priority 3: Supercharge EV Infrastructure, supporting the delivery of a comprehensive, nationwide network of 10,000 EV charging stations.

Priority 4: Electricity market and regulatory settings to facilitate a least cost transition, noting there will be significant upward pressure on electricity prices over the coming decades as demand increases, the market power of some generators increases, and we build significantly more network infrastructure.

21. Consistent with these priorities, we expect significant policy and regulatory work will continue to be required over the coming years (as in the period 2020-2023) to manage challenges arising from the energy system transition. This includes work in the following areas to achieve the Government's priorities:

    a. Delivering a broad suite of resource management changes to accelerate the consenting of electricity generation, transmission, and distribution infrastructure towards doubling our supply of renewable energy.

    b. Ensuring fit for purpose funding and cost recovery rules for electricity network infrastructure.

    c. Enabling a comprehensive, nationwide network of electric vehicle chargers to allow more New Zealanders to switch to an EV with the confidence they can recharge their car when and where they need to.

    d. Developing an enabling regulatory regime for Carbon Capture and Storage.

    e. Ensuring security of electricity and gas supply through the transition, which is facing growing security of supply challenges, including as the share of intermittent renewable generation increases and as production from our oil and gas permits is forecast to peak this year

    f. Continuing to develop a new regulatory regime for offshore renewable energy developments (now required to be implemented faster than previously planned).

    g. Ensuring electricity sector regulatory settings are supporting investment, competition and innovation.

    h. Enabling a smarter electricity system, including so that power use can be shifted away from peak times, to reduce the amount of network build needed and facilitate a lower cost transition.

    i. Commencing a fuel security study in the first half of 2024, including investigation of reopening the Marsden Point oil refinery.

    j. Finalising the onshore stockholding regulations to require the fuel industry to hold more stocks onshore, which take effect on 1 January 2025.

Savings options

Proposed Energy portfolio savings options

22. As requested, we have assessed the ability to return savings by stopping or reducing low value programmes, programmes that do not align with the Government's priorities, and options for reducing or stopping back-office functions.

23. The following table provides a summary of the savings we propose, having regard to Government priorities. Proposed savings amount to 14.5 per cent of the total Energy portfolio appropriations (on top of the savings already returned through the December 2023 mini-Budget relating to the GIDI programme and the Lake Onslow pumped hydro scheme).

	Current appropriations					Savings	
	2024/25 $m	2025/26 $m	2026/27 $m	2027/28 $m	Total	Proposed savings $m	Proposed savings %
EECA	258	262	220	80	819	**183**	**22%**
Electricity Authority	102	102	102	100	406	**0**	**0%**
Confidential advice to Government							
MBIE Non-Departmental	49	49	48	36	182	**24**	**13%**
MBIE Departmental	19*	18*	18*	18*	73*	**6**	**8%**
Total	433	437	395	242	1,508	**218**	**14.5%**

* Assumes policy funding rephased through a fiscally neutral adjustment

24. A break-down of the proposed savings is provided in Annex One. Some further detail is as follows.

EECA Savings

25. The EECA savings are achieved by:

a. Discontinuing Confidential programmes that have been assessed as low value or not aligning with Government priorities (Confidential advice to Government the Low Emission Transport Freight Decarbonisation programme).

b. Scaling the Warmer Kiwi Homes grant programme back to its core functions, including by discontinuing the following elements added by the previous Government in Budget 2023:

   i. Hot water heating efficiencies

   ii. Low-cost energy efficiency measures

   iii. A mass market LED Lighting scheme

   iv. Community outreach funding

c. Operational savings of 15 per cent based on an approximation of the uplifts that EECA has seen to its core funding from various budget initiatives (including operating to support new funds and activities) over the past four years.

Confidential advice to Government

MBIE Savings

27. The MBIE savings are achieved by:

    a. Scaling-down or discontinuing three grant funding programmes (the Support for Energy Education in Communities programme, Renewable Energy in Communities funding, and the Network Innovation Fund) with a view to striking a balance between delivering fiscal savings while retaining programmes that contribute positively to New Zealanders' cost of living.

    b. Discontinuing work on a new Energy Emissions Reporting Scheme and returning the associated funding, noting the scheme would have introduced new regulatory requirements on large energy-using businesses and would likely require additional Crown funding to implement. This may not align with the Government's immediate priorities to reduce core Crown expenditure and reduce regulation.

28. In addition, all policy and operational areas of MBIE are initially targeting the 7.5 per cent savings from their baselines. They are on track to achieve the approximately $45 million in savings that this represents. All corporate and technology functions are included in this work (HR, IT and other corporate functions). In addition, a 15 per cent target has been set for discretionary spending, for example travel, conferences, training and recruitment. Once Ministers have made final decisions, these corporate and technology functions will seek further operational efficiency savings to support these decisions. MBIE's departmental base (which is a portion of MBIE's eligible base) for the savings target has been reduced to approximately $570 million as INZ and other functions were removed through the Treasury calculations.

29. As set out above and illustrated in Annex One, we expect the significant volume of policy work resulting from transitioning the energy system to continue. Changes underway in the energy and resources systems are unprecedented. In the coming years there will be fundamental changes in both the supply of, and demand for, energy. This means more active policy work is needed – certainly relative to the two decades to 2020 when the energy sector was in a steady-state – to ensure market and regulatory settings are fit for purpose to keep the lights on through the transition, and to make the most of the opportunities that the transition presents.

Additional information on targeted savings sought by the Minister of Finance

30. The Minister of Finance has specifically sought consideration of making targeted policy savings (of at least $100 million over the forecast period) in relation to the Warmer Kiwi Homes programme. The condition of this request was to consider the value for money of this programme as part of providing targeted policy savings.

31. The EECA savings proposed above include savings of $103 million from Warmer Kiwi Homes over the forecast period (comprising savings from the core grant programme, discontinuing new elements added to the programme in Budget 2023, and reducing the operational costs of running the programme).

32. We do not recommend more significant reductions for the core Warmer Kiwi Homes programme, which provides grants for insulation and heating for owner occupied homes in low-income areas. This programme has been operating under successive governments since 2009, and there is a very strong evidence base for the benefits achieved from the programme. A 2022 impact evaluation led by Motu Economic & Public Policy Research found:

    a. Benefit cost ratios for the programme as a whole are 4.4 overall, and 1.9 on a health and energy basis alone.

    b. Overall electricity use decreased 16% over the winter months.

c. Household electricity use decreased at almost all times of day, and most significantly during the evening peak demand period.

33. We understand that The Treasury considers these savings should not contribute to MBIE's savings target. Given these savings directly improve the Crown's operating balance, we seek your agreement to their inclusion in meeting MBIE's savings target.

Next steps

34. Further information for your Energy portfolio meeting is available on request.

Annexes

Annex One: New MBIE Energy departmental functions 2017-2023 and to deliver Government priorities

Annex Two: Further information on individual programmes and projects EECA delivers

Annex Three: Detailed savings proposals for the Energy portfolio

Annex Four: Information on Crown Entity cash reserves

Annex One: New MBIE Energy departmental functions 2017-2023 and to deliver Government priorities

The table below sets out where new energy portfolio functions or projects were undertaken by the MBIE over the period 2017-2023. This is divided into work related to (1) managing challenges arising from the energy system transition, (2) promoting energy affordability, and (3) ensuring fuel security. The table also illustrates the new work that will be required in these three areas to deliver the Government's priorities.

New function or project 2017-2023	New work in this area to support Government priorities
Managing challenges arising from the energy system transition	
• Providing advice on energy's role in meeting our Climate obligations and developing the energy components of the first Emissions Reduction Plan. • The New Zealand Battery Project was established to explore options to solve the dry-year problem. • Development of a Gas Transition Plan to outline transition pathways for the use of gas to 2035 and give certainty to the sector. • Investigating the need for additional electricity market measures that support affordable, reliable and resilient electricity supply while New Zealand transitions to a more renewable electricity system. • Developing a new regulatory regime for offshore renewable energy developments. • Developing an energy strategy to address strategic challenges through the transition • Developing a Hydrogen Roadmap to set out the pathway for establishing a hydrogen industry in New Zealand • Work to reduce business energy emissions, including through partnerships with large emitters under GIDI (since discontinued), developing an Energy Emissions Reporting Scheme to improve information and reporting on energy emissions by large emitters, developing a plan of actions to reduce industrial emissions.	• Ensuring security of electricity and gas supply through the transition, which is facing growing security of supply challenges, including as the share of intermittent renewable generation increases and as production from our oil and gas permits is forecast to peak this year. • Continuing to develop a new regulatory regime for offshore renewable energy developments (now required to be implemented faster than previously planned). • Delivering a broad suite of resource management changes to accelerate the consenting of electricity generation, transmission, and distribution infrastructure towards doubling our supply of renewable energy. • Ensuring fit for purpose funding and cost recovery rules for electricity network infrastructure, including through Commerce Act amendments, a new information disclosure regime, and amendments to manage first mover disadvantage for new connections to local lines (such as new EV charging stations). • Enabling a comprehensive, nationwide network of electric vehicle chargers to allow more New Zealanders to switch to an EV with the confidence they can recharge their car when and where they need to. • Developing an enabling regulatory regime for Carbon Capture and Storage. • Development of the energy components of the second Emissions Reduction Plan.
Promoting energy affordability	
• Work to support the Electricity Price Review in 2018/2019 and respond to the Review's recommendations, including establishing and supporting an energy hardship expert panel, amendments to the Electricity Industry Act,	• Ensuring electricity sector regulatory settings are supporting investment, competition and innovation, noting the market power of some electricity generators is expected to increase over the coming decade.

and phasing out low fixed charge tariff regulations. • Following the Electricity Price Review, the Support for Energy Education in Communities programme was established, to fund community-level energy education to help households in need. • New fund established to trial renewable energy technologies on Māori and public housing. • Development of new regulatory regime under the Fuel Industry Act 2020 to improve competition in the retail fuel market. • Project commenced to enable smart EV charging standards to be set, with a view to allowing consumers to take advantage of lower off-peak prices. • Fund established to deliver small-scale renewable energy developments to improve communities' access to secure, renewable, and more affordable energy.	• Continued work to enable smart EV charging standards to be set, including passing new legislation, with a view to allowing consumers to take advantage of lower off-peak prices. • Enabling a smarter electricity system, including so that power use can be shifted away from peak times, to reduce the amount of network build needed and facilitate a lower cost transition. • Supporting the smart charging legislation to achieve its goals by ensuring businesses and households have the information they need to electrify and minimise their energy costs. • Continued delivery of the Support for Energy Education in Communities programme, to fund community-level energy education to help households in need. • Continued delivery of small-scale renewable energy developments to improve communities' access to secure, renewable, and more affordable energy.
Ensuring fuel security	
• Advice related to fuel security implications of the closure of the Marsden Point oil refinery. • Development of new fuel resilience measures, including legislation requiring onshore fuel stockholding, diesel procurement, and improved information gathering and monitoring.	• Commencing a fuel security study in the first half of 2024, including investigation of reopening the Marsden Point oil refinery. • Finalising the onshore stockholding regulations to require the fuel industry to hold more stocks onshore, which take effect on 1 January 2025. • Undertaking ongoing fuel security monitoring, utilising the information gathering provisions in the new fuel resilience regime, and implementing further improvements as warranted.

Annex Two: Further detail on programmes EECA delivers

The table below provides more detail on the individual programmes and projects EECA currently delivers, and estimates of the associated FTE and funding in Financial Year 2023/24.

Programme[1]		Overview	Notional FTE	Funding[2] 2023/24
Transport	**Low Emissions Transport Fund (LETF)**	Supports the demonstration and adoption of low emission transport technology, innovation and infrastructure to accelerate the decarbonisation of the New Zealand transport sector.	5.5	$25m
	Freight Decarbonisation Funding	Demonstrating low emission freight technologies, fuels, services, freight efficiency and optimisation, infrastructure, innovations and business models. This funding is planned to be delivered as a large, targeted round of the LETF.	1	$1.29m
	Public Electric Vehicle Charging	Supports the rollout of public light EV charging hubs containing multiple fast electric vehicle chargers, as well as infrastructure to support EV charging in rural and regional communities.	3	$24.26m
	Low Emissions Heavy Vehicle Fund	Funding to stimulate uptake of low emission heavy vehicles by assisting businesses with overcoming the up-front cost of these vehicles.	1	$10m

[1] These programmes do not include organisational support activity, including ICT, corporate services and other cross-functional activity not directly related to programme delivery (such as general policy and strategy activity).
[2] Includes operational funding (FTE, overheads etc) as well as grants and industry support funding. This funding is sourced from a mix of Crown appropriations and EECA's levy-sourced funding.

	Transport consumer information and market engagement	Provides education and information to New Zealand households, businesses and communities to promote energy efficiency, energy conservation, and renewable energy. This function covers the maintenance of EECA's communications platforms, our website tools and management, communications advisory and the commission and production of research insights and publications.	2.1	$1.72m
Business	**Business Programmes**	EECA has a number of business programmes that includes providing sectors and individual organisations best practice information, emission reduction pathways and technical expertise on efficiency and decarbonisation projects. This also extends to market co-ordination and dissemination of analysis at a regional level. We also provide some funding to businesses to conduct activities such as feasibility studies and system optimisation assessments, as well as demonstrating and de-risking new commercially available technologies in New Zealand. Programmes include: - Energy Transition Accelerator - Feasibility Studies, system optimisation, energy audits and energy graduates - Regional Energy Transition Accelerator - Sector Decarbonisation - Technology Demonstration - Information and marketing	9	$11.195m
	IRG Shovel Ready	EECA has project oversight of six projects from the Covid Response and Recovery Fund (CRRF), including: Thermal Drying Facility, Hydrogen Refuelling Network, Invercargill City Decarb, Electric and Hybrid Ferries, Northland Housing Energy Retrofit Pilot, Otago Housing Energy Retrofit Pilot	1.2	$9.21m
Public	**Public sector programmes**	Delivery of a range of programmes to support public sector decarbonisation, for example the State Sector Decarbonisation Fund, providing access to the NABERSNZ energy efficiency rating scheme for commercial buildings (and hospitals), Carbon Neutral Government Programme, support for local authorities, fleet optimisation and BEV leasing.	5.25	25.84m
Residential	**Warmer Kiwi Homes**	Delivers insulation and efficient heating retrofits to low-income households. Through Budget 2023, funding was provided to extend the programme by four years (to June 2027) and to expand its range of product offerings.	26	$111.99m

	Residential consumer information	Provides education and information to New Zealand households and communities to promote energy efficiency, energy conservation, and renewable energy. This function covers the maintenance of EECA's communications platforms, our website tools and management, communications advisory and the commission and production of research insights and publications.	3	$2.39m
Other	**Standards and Regulations**	EECA's regulatory functions support New Zealand to have the best performing new products and technologies available internationally, including vehicles– for home, commercial and industrial use, saving money and energy. This includes Minimum Energy Performance Labelling and Standards (MEPL and MEPS) and Vehicle Emissions and Energy Economy Labelling (VEEEL).	12.05	$4.84m
	EECA Marketing and Information	Funding used to produce consumer information and marketing, such home energy information, general EECA marketing, and Gen Less.	TBC	$3.4m

Annex Three: Detailed savings proposals for the Energy Portfolio

		Current appropriation					Savings		Comment on savings
		2024/25 $m	2025/26 $m	2026/27 $m	2027/28 $m	Total	Proposed savings $m	Proposed savings %	
EECA	**EECA Operational**	79	80	78	78	315	**47**	**15%**	Operational savings from reducing EECA operations and from lower fund administration costs (given decrease in grant funding – see below)
	Warmer Kiwi Homes (WKH) – Implementation costs to deliver core WKH programme	9	9	9	0	28	**3**	**10%**	Operational savings resulting from the reduced WKH grant programme (see next row)
	Warmer Kiwi Homes – Grant Funding	97	111	126	0	334	**85**	**25%**	Savings achieved by scaling WKH back to its core functions (removing elements added in Budget 2023 except targeted home repairs which supports the core programme to reach more homes)
	Warmer Kiwi Homes – LED Lighting	5	5	5	0	15	**15**	**100%**	This new WKH programme received funding in Budget 2023 and has not commenced. Savings achieved by discontinuing it
	Confidential advice to Government								
	Low Emission Transport Fund Freight Decarbonisation	12	2	0	0	14	**14**	**100%**	This programme received funding in 2022 to demonstrate freight decarbonisation. Savings achieved by discontinuing it

Confidential advice to Government

MBIE Non-Departmental	**Support for Energy Education in Communities (SEEC)**	3	3	3	3	12	**3**	**25%**	Savings achieved through scaling down the SEEC programme
	Renewable Energy in Communities & **Network Innovation Fund**	16	16	16	3	50	**21**	**42%**	Savings achieved by discontinuing the network innovation fund (which has not yet commenced) and scaling down the renewable energy fund by 25%
MBIE Departmental	**Information Services**	3	3	3	3	12	**2**	**15%**	Savings achieved through achieving efficiencies and through discontinuing the Energy Emissions Reporting Scheme (see next row)
	Monitoring and Enforcement of an Energy Emissions Reporting Scheme	1	1	1	1	4	**4**	**100%**	Savings subject to agreement to discontinue work on this scheme

Annex Four: Information on Crown Entity cash reserves and retained earnings

Electricity Authority (the Authority)

Total Cash and Term Deposits as at 30 June 2023: $21.0 million

Retained earnings as at 30 June 2023: $4.9 million

- The Authority receives cash from the Crown through appropriations that fund its contracts with third-party service providers to operate the electricity system and markets, and the Authority's operations. The Crown recovers the cost of this funding, up to the level of actual expenditure incurred, through a levy on electricity industry participants. A reconciliation is performed after the end of the financial year to ensure industry participants are charged the correct levy. The Authority earns investment income on its cash holdings that is reflected in retained earnings.
- The Authority Board's policy is to retain cash reserves equivalent to 1.5 months' expenditure (~$13 million for the 2023/24 financial year). Retained earnings contribute to maintaining compliance with this policy. This is a minimum for meeting Authority members' governance obligations and is to ensure continuity of operations in the event of a major disruption.

Energy Efficiency and Conservation Authority (EECA)

Total Cash and Term Deposits as at 30 June 2023: $70.9 million

Retained earnings as at 30 June 2023: $12 million

- EECA receives cash from the Crown from multiple appropriations to fund its contractual commitments and operating expenditure. Note: A portion of EECA's costs are recovered through levies on electricity, natural gas, and liquid fuels.
- EECA's contractual commitments relating to cash balances as at 30 June 2023 were ~$45 million.
- The level of cash held reflects two key factors: there is often a timing difference between EECA receiving cash and making cash payments, particularly for its contractual commitments. EECA's cash balance should steadily decline over time, as it makes these contractual payments. EECA also earns investment income on its cash holdings that is reflected in retained earnings.

MBIE Comment

- There may be limited opportunity for the Authority and EECA to return surplus cash held in retained earnings, but both are either fully or partially levy funded. A request to return surpluses would require further work to understand how much of the surpluses have arisen through levies and what the appropriate mechanism for utilising these funds would be (and further work would need to be undertaken to understand whether it is possible to access the surplus held by Authority as it is exempt from returning surpluses to the Crown under Section 165 of the Crown Entities Act 2004).