



BRIEFING

Revised Budget initiative package for Budget 2025

Date:	17 February 2025	Priority:	Urgent
Security classification:	Budget - Sensitive	Tracking number:	BRIEFING-REQ-0009649

Action sought		
	Action sought	Deadline
Hon Simon Watts Minister for Energy	Submit revised budget proposals to the Minister of Finance	21 February 2025

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		✓

The following departments/agencies have been consulted
The Treasury has been consulted regarding the process for updating budget initiatives

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



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Purpose

You have decided to take a different approach to an Energy portfolio budget package from what was previously submitted. In order to withdraw and resubmit budget initiatives, you will need to write to the Minister of Finance by Friday, 21 February.

This briefing sets out the proposed approach to your budget package, based on process advice from the Treasury, and includes a draft letter for the Minister of Finance, seeking her agreement to your changes.

Recommended action

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

- a **Confirm** your Budget 2025 Energy portfolio package, to deliver the low-end savings requested by the Minister of Finance

\$ million	2025/26	2026/27	2027/28	2028/29
Levy/Crown funding swap, generating savings for the Crown	2.959	2.959	2.959	2.959
Reductions to the EECA appropriation	11.893	12.447	12.751	16.516
Increase the Energy Policy Baseline to maintain current resourcing	0.792	1.346	1.65	5.415
Net Savings	14.060	14.060	14.060	14.060

Agree / Disagree

- b **Submit** revised budget proposals to the Minister of Finance **by Friday, 21 February 2025**

Agree / Disagree

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

17 / 02 / 2025

Hon Simon Watts
Minister for Energy

..... / /

Revised Budget 2025 Package

1. You have reviewed the approach for the energy portfolio for Budget 2025 (Briefings 0007122 and 0009018 refer). Following a series of discussions with officials, you have determined the following approach which is a mix of savings for Budget 2025, and reprioritisation options for within the portfolio:
 - a. Reduce EECA's appropriation Confidential advice to Government, and review their programme of activities to ensure it is maximising delivery against the Government's objectives.
 - b. Agree to a Crown/Levy swap of \$3m per annum for EECA funding (generating savings for the Crown).

Confidential advice to Government

- g. Address the falling energy policy baseline, by topping up the appropriation across the forecast period to maintain the current level of \$14.6m per annum.
2. You also directed:
 - a. A package that would deliver the Minister of Finance's low-end request of \$14.060m in savings per annum,

Confidential advice to Government

Proposed approach for Budget 2025 initiative

3. We have consulted with Treasury on how best to present your preferred package for Budget 2025. They have recommended that you withdraw the current budget initiatives, and resubmit. In order to do so, you will need to write to the Minister of Finance **by Friday 21 February**.
4. In order to deliver on the parameters you have set out, we recommend that your budget initiative should cover:

\$ million	2025/26	2026/27	2027/28	2028/29
Levy/Crown funding swap, generating savings for the Crown	2.959	2.959	2.959	2.959
<i>Reductions</i> to the EECA appropriation	11.893	12.447	12.751	16.516
<i>Increase</i> the Energy Policy Baseline to maintain current resourcing	0.792	1.346	1.65	5.415
Net Savings	14.060	14.060	14.060	14.060

Further reprioritisation, within the Energy Portfolio

Confidential advice to Government



Reducing EECA expenditure to \$45m per annum

6. You have decided that EECA should reduce its scale of activity

Confidential advice to Government



Confidential advice to Government



Next steps

10. In order to withdraw the previous energy portfolio initiatives and submit your preferred package, you will need to write to the Minister of Finance by Friday, 21 February. We have attached a draft letter for your consideration.
11. Officials will provide additional advice on reprioritisation options, as you have requested.

Annexes

Annex One: Draft letter to the Minister of Finance

Annex One: Draft letter to the Minister of Finance

21 February 2025

Hon Nicola Willis
Minister of Finance
Parliament Buildings

Dear Nicola

I have reviewed options for Budget 2025, and would like to re-submit proposals for the Energy Portfolio. My aim in amending the submission is to look across the full scope of activity in the portfolio and ensure that it is maximising delivery against the Government's priorities, particularly in Security of Supply and Affordability.

The proposals include:

- Savings and re-alignment of EECA's activities
 - A reduction in EECA spending, as I consider that the scale of investment is not appropriate given the fiscal environment and other priorities in the portfolio
- Confidential advice to Government
- A change in the funding mix (with a greater share of levy-funding), given the benefits to the energy system and energy users from the work undertaken by EECA
 - Ensuring MBIE can continue to deliver on Security of Supply and Affordability, including initiatives identified in Going for Growth, by maintaining the current level of resourcing (and addressing the previous fixed term funding).

In total, these proposals will delivery \$14.060m per annum, in line with the low scenario set out in the Budget expectations letter, details are provided in the table below. Given the challenges in the Energy Portfolio, I have concerns about committing to additional reductions at this time.

\$ million	2025/26	2026/27	2027/28	2028/29
Levy/Crown funding swap, generating savings for the Crown	2.959	2.959	2.959	2.959
Reductions to the EECA appropriation	11.893	12.447	12.751	16.516
Increase the Energy Policy Baseline to maintain current resourcing	0.792	1.346	1.65	5.415
Net Savings	14.060	14.060	14.060	14.060

Thank you for consideration of this amended proposal.

Yours sincerely,

Hon Simon Watts
Minister for Energy