



BRIEFING

Budget 2025: EECA Savings Options and MBIE Work Programme

Date:	10 February 2025	Priority:	Urgent
Security classification:	Budget - Sensitive	Tracking number:	BRIEFING-REQ-0009018

Action sought		
	Action sought	Deadline
Hon Simon Watts Minister for Energy	Agree preferred level of savings from EECA for Budget 2025 Agree work programme priorities and funding reprioritisation	11 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
EECA was consulted in developing submissions for Budget 2025 but has not been consulted on the additional savings included in this briefing.

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



BRIEFING

Budget 2025: EECA Savings Options and MBIE Work Programme

Date:	10 February 2025	Priority:	Urgent
Security classification:	Budget - Sensitive	Tracking number:	BRIEFING-REQ-0009018

Purpose

This paper seeks your decisions on:

- Savings proposals for Budget 2025, with options for additional savings from EECA
- MBIE energy policy work programme priorities to inform reprioritisation for the March Baseline Update (final information for submissions due 11 February)

Executive summary

We have previously briefed you on Budget 2025 actions (Briefing 0007122 refers). You have sought further advice on two aspects: additional savings from EECA and decisions on energy policy work programme options and funding.

EECA savings options

EECA Savings options **Confidential advice to Government** have been identified, as part of the grants and funds deep dive. We recommend that, in order to meet your preferred savings, you direct officials to update the budget savings initiative **Confidential advice to Government**

Confidential advice to Government

Other points to note relative to EECA savings:

- EECA is part levy-funded (\$23m for 2025/26, subject to your approval), and the activities they undertake need to reflect funding source. To date this has had limited impact on activity decisions, as EECA has also received in the order of \$40m in crown funding.

Confidential advice to Government

We will update Budget 2025 savings submissions, based on your direction.

MBIE energy policy work programme and funding

We have provided you with further detail on the work programme, including an assessment against impact on economic growth and core government activity. Workstreams are broken down into further detail in Annex Two. Confidential advice to Government

The current programme is driven by:

- **Security of Supply:** These workstreams have been resourced up in the wake of the 2024 winter energy issues. Without action, a future dry year would have similar impacts on prices and supply. The Review of Electricity Market Performance is likely to result in significant policy work.
- **Electrify NZ:** This programme is a Government priority, and is intended to enable further generation build, including offshore renewable energy projects.
- **Least cost transition and regulatory review:** this work enables uptake of new technologies, fuels, and generation and supports security of supply and market decisions on the best energy solutions.

You have previously agreed that any additional funding will be met through the levy/crown revenue swap (\$3m) for EECA, and then EECA's non-departmental baseline (likely entailing a reduction in information function in favour of the policy work programme).

Your decisions will be incorporated into the March Baseline Update. To meet those deadlines we will need decisions from you on 11 February (which is when we also have an officials meeting).

Recommended action

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

Savings proposals for Budget 2025

- a **Note** that energy portfolio savings initiatives have been submitted in line with targets requested by the Minister of Finance:

Confidential advice to Government

Confidential advice to Government



MBIE policy work programme and funding

- d **Note** that MBIE energy policy has a falling baseline, cost pressures, and a significant work programme to deliver on government priorities

Noted

Confidential advice to Government



- f **Note** that you have previously agreed funding would come from EECA's Crown/Levy revenue swap, and EECA's non-departmental annual appropriation.

Noted

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

..... / /

Hon Simon Watts
Minister for Energy

..... / /

Savings options for Budget 2025 from EECA

Background

- 1. At officials meeting on 3 February, you requested advice on further savings options from EECA’s baseline, starting at \$20m per annum.
- 2. The following table sets out the Energy portfolio savings already submitted for Budget 2025 to meet the targets set by the Minister of Finance (Briefing 0007122 refers).

Table 1: Submitted Savings \$ million	2025/26	2026/27	2027/28	2028/29	Four year average
Energy Portfolio Baseline	130.322	124.920	38.566	38.566	74.188

Confidential advice to Government

- 3. EECA’s current funding is a mix of levy and crown. The levy funding in 2024/25 is \$20m and is set to increase to \$23m in 2025/26, with an equivalent reduction in Crown funding (subject to your approval). Levy funding can only be used for EECA activities.
- 4. EECA’s annual appropriations (excluding MYA activity) totals just over \$63m per annum (with variations resulting from contract phasing and project timing). In 2024/25, EECA’s expenditure forecast is set out in Table 2:

Table Two: EECA Expenditure by function (excluding MYAs)

Function	2024/25 \$m	Savings options \$m	Comment on potential savings
Information Function	28.076		Confidential advice to Government
Investment Function (annual baseline)	33.203		
Regulatory functions	9.876		

5. In addition to its annual baseline, EECA runs a number of Government mandated programmes (most of which are in Multi-Year Appropriations (MYAs)). Of that funding, around \$270m is uncommitted, including \$180m in Warmer Kiwi Homes, \$25m in the Low Emissions Heavy Vehicle Fund and \$60m in Public EV Chargers. These programmes are MYAs i.e. time-limited and will not provide ongoing savings. They would also require a budget bid in a future Budget round if they were to be continued beyond their expiry dates.
6. A detailed view of EECA's funding (including time-limited programmes) and specifics on each activity is provided in **Annex One**.

Options for savings in EECA funding

7. Confidential advice to Government

8. We have identified the following additional options for savings from EECA's appropriations. These will affect EECA's delivery for 2025/26 and may require some lead time to give effect to full savings, as there will be implications for staff that will require a 3-4 month change process. Assuming no pre-Budget announcements, a change process could not begin until June. In addition, there will be remaining contract management that may affect savings in 2025/26. We will agree phasing with EECA before updating budget submissions.

Confidential advice to Government

Confidential advice to Government

Implications for EECA's expenditure and funding mix

9. Confidential advice to Government

10. As requested by the previous Minister, EECA has consulted on an increase in levy revenue from \$20m to \$23m. EECA is proposing increases across all levies, as it consulted on the basis of the current scale of activities. Confidential advice to Government

Table Three: Levy Revenue	EECA Proposal \$m	Annual household impact	Confidential advice to Government
Petrol or Engine Fuel Monitoring levy	14.620	Not material	
Electricity Industry levy	6.677	72c increase	
Gas Safety, Monitoring and Energy Efficiency levy	1.962	44c increase	

11. You will receive briefings from EECA and MBIE's Entity Performance Monitoring team on setting the levy for 2025/26. Your decision will be reflected in the final technical changes for Budget 2025.

MBIE Work Programme priorities and funding

1. We have previously provided you with advice about the falling energy policy baseline and work programme options (Briefing 0007122 refers).

Table Four: Energy Policy Baseline \$ million	2024/25	2025/26	2026/27	2027/28	2028/29
Energy Policy Baseline	14.621	13.829	13.275	12.971	9.206
Cost to maintain 2024/25 baseline	-	0.792	1.346	1.650	5.415

Confidential advice to Government

2. You have asked for further detail on the MBIE work programme to inform your decision on priorities and funding. In particular, you requested advice on the alignment of the work programme to economic growth and core government functions.

Work programme options and funding implications

3. The current programme is driven by:
- Security of Supply: These workstreams have been resourced up in the wake of the 2024 winter energy issues. Without action, a future dry year would have similar impacts on prices and supply. The Review of Electricity Market Performance is likely to result in significant policy work.
 - Electrify NZ: This programme is a Government priority, and is intended to enable further generation build, including offshore renewable energy projects.
 - Least cost transition and regulatory review: this work enables uptake of new technologies, fuels, and generation and supports security of supply and market decisions on the best energy solutions.

Confidential advice to Government



Table Six – Work Programme costs, alignment, and prioritisation options		Alignment (3 highest impact)	
Workstream	Current Deliverables	Economic Growth impact	Core Govt Function
Review of Electricity Market Performance	Support independent review of market performance, advise on recommendations.	3	3
Emissions Reduction Plan	Ongoing monitoring and delivery against the Plan. ERP3 work likely to commence in 2029/30	1	3
Security of Supply - Electricity	Includes Hazards from Trees, oversight of EA and Commerce Commission decisions (network connections etc), generation capacity and pipeline, and security of supply advice and regulatory changes	3	3
Security of Supply - Gas	CCUS, Energy and Electricity Security Bill (enabling LNG imports and other changes), gas market settings, gas for critical users, renewable gas, Gas Security Response Group, advice and system adjustments	3	3
Security of Supply - Fuel	Fuel Security Study (including Marsden Point report) and Plan, Minimum Stockholding Obligations etc	3	3
Alternative Fuels	Sector engagement/facilitation on SAF, biomass, hydrogen, etc, regulatory changes to remove barriers	2	2
DER and Demand Flexibility	Stakeholder engagement/facilitation, oversight of EA and Taskforce work	3	2
Electrify NZ – RM	Fast Track, RM reforms and National Direction package to enable generation and infrastructure	3	3
Electrify NZ – ORE	ORE Bill, regulations, and an initial Round in late 2025. Further suite of regulations for permits, decommissioning, and fees. National Direction for ORE, one-stop shop for permit and consents.	3	2
Regulation for least-cost transition	Consumer Data Right, EEC Amendment Bill including enabling EV smart charging, Supercharging EVs, wholesale market regulation, standards updates (voltage ranges, safety standards, etc)	2	3
Energy Resilience and Affordability	Fund administration and advice (including across users, fund management, RIF proposals). Transferring funds and resourcing to EECA	1	2
System Maintenance	Regulatory activity and updates, levies, monitor/implement regulator recommendations	2	3
International engagement	Partnering with overseas governments on energy issues, sharing information, etc	2	2
Ministerial Servicing	OIAs, PQs, MCs, Event/Meeting Briefs, Budget process, regular reporting	1	3
Ad hoc and second opinion	Second opinion on relevant Cabinet papers, advice and updates as requested by the Minister	1	3
All-of-Government policy reviews	Treaty Clauses Review, legislative review required under proposal Regulatory Standards Bill	1	3
Stewardship and unknown projects (from 2025/26)	Currently nil, as resource deployed on comprehensive response. This provides longer term, system level advice, and/or is used as flexible capacity to respond to large scale events and/or other unanticipated projects.	3	3
Management and Admin	Resource required is proportionate to total work programme		

Confidential advice to Government

Next steps

EECA

6. We will update the energy portfolio savings initiatives with Treasury, in line with your direction.
7. You will also receive a briefing on EECA's levy for 2025/26 in the week commencing 10 February. Decisions on the levy will be included in the final technical changes round.

MBIE Work Programme

8. Decisions to balance work programme and funding are required both to ensure MBIE can deliver against your expectations and in order to meet Treasury and Minister of Finance requirements for Agency Performance and Portfolio Plans to be balanced/address all cost pressures.
9. You have previously agreed that any reprioritisation would be funded from the levy-crown funding swap of \$3m for EECA, and any remainder from EECA's baseline (likely to impact their information function). We will discuss with you at officials whether this should be additional to the savings package, or offset.
10. We will include your decisions on priorities in the March Baseline Update. Decisions are required on 11 February in order to include them in your submission to the Minister of Finance.

Annexes

Annex One: EECA Expenditure 2024/25

Annex One: EECA Expenditure 2024/25

EECA "Baseline" by function 2024/25

Function expenditure exceeds appropriation, as EECA is using retained earnings this year

	Total	Crown fund	Levy fund	2016/17
<i>Information Function</i>				
Large Energy Users/Industry	7.051	5.585	1.466	
Sector Decarbonisation	2.695	1.989	0.706	
Regional Energy Transition Accelerator (RETA)	4.312	4.312	0.000	
Public engagement, research & partnerships	10.201	9.100	1.101	
FlexTalk	1.986	1.986	0.000	
NABERSNZ	0.602	0.415	0.187	
Other	1.229	1.229	0.000	
<i>Total Information Function</i>	28.076	24.616	3.460	
<i>Regulation Function</i>				
Vehicle Labels	0.710	0.710	0.000	
Consumer Product Efficiency Standards	9.166	5.897	3.269	
<i>Total Regulation Function</i>	9.876	6.607	3.269	
Total EECA Operations	37.952			21.000
<i>Investment Function</i>				
Technology Demonstration	3.370	2.199	1.171	
Public Sector programmes	8.881	8.881	0.000	
Low Emissions Transport Fund	16.631	4.232	12.399	
Other	2.321	2.321	0.000	
Crown Loans Scheme (separate appropriation)	2.000	2.000	0.000	
<i>Total Investment Function</i>	33.203	19.633	13.570	12.000

Information so businesses and household can make informed decisions on managing their energy use.

- Providing market coordination and filling information gaps, e.g. through the RETA programme including biomass supply chains.
- Publish key research used by industry and Govt for making decisions around energy efficient technologies and the energy system (12 reports last year, including household electrification and zero-emissions trucks).
- Public engagement with key partners e.g. Consumer NZ, Master Plumbers (most recent had ROI of over \$3).

Efficiency labelling for vehicles (scope for levy funding)
Joint regulation initiative with Australia, driven significant energy costs savings and reduced emissions

Targeted investment to de-risk innovative energy efficiency and low-emissions projects. Intended to accelerate electrification. Given proposed Budget 2025 savings, EECA intend to merge funds into a single demonstration fund.

Programme (MYAs)	2024/25	2025/26	2026/27	Status	Comment
Warmer Kiwi Homes (grants)	83.000	83.000	83.000	\$83m committed for 2024/25	Confidential advice to Government
Warmer Kiwi Homes (opex)	8.000	8.000	8.000	Staff and Support Services	
Public EV Charging Hubs and Infrastructure	34.000	60.426	-	\$28m committed	
Clean Heavy Vehicles	2.000	12.875	12.875	No commitments as of November	
GIDI (remaining commitments only)	118.000	136.000	49.000	Fully Committed	
Uncommitted	8.000	164.797	104.171		