



## BRIEFING

### Budget 2025: Portfolio Financial Information, Savings, and Work Programme

<b>Date:</b>	31 January 2025	<b>Priority:</b>	High
<b>Security classification:</b>	Budget - Sensitive	<b>Tracking number:</b>	BRIEFING-REQ-0007122

Action sought		
	Action sought	Deadline
Hon Simon Watts <b>Minister for Energy</b>	<b>Discuss</b> trade-offs required between work-programme, energy policy baseline, and other portfolio priorities	3 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
None

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



# BRIEFING

## Budget 2025: Portfolio Financial Information, Savings, and Work Programme

<b>Date:</b>	31 January 2025	<b>Priority:</b>	High
<b>Security classification:</b>	Budget - Sensitive	<b>Tracking number:</b>	BRIEFING-REQ-0007122

### Purpose

#### *Information on Budget 2025 to date*

This paper updates you on Budget 2025 to date (as approved by the previous Minister), including

- The Portfolio Plan, including detailed information on the Energy Efficiency and Conservation Authority (EECA) functions and expenditure (**Annex One**)
- Grants and funds deep dive and savings initiatives (**Annex Two**)
- Upcoming levy consultations for the Electricity Authority (EA) to cover cost pressures, and changes to the levy-crown funding mix for EECA

#### *Decision sought on relative priority and funding for energy policy work programme*

As noted in the portfolio plan, the energy policy baseline declines over the forecast period. We are therefore also seeking your direction on what trade-offs you wish to make between work programme (level of service) and reprioritisation of funds from elsewhere in the portfolio. Your direction will be incorporated in the March Baseline Update submission.

### Recommended action

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

#### *Key steps in Budget 2025 to date:*

- a **Note** that the attached Energy Portfolio Plan has been submitted to the Treasury, as part of the MBIE Performance Plan, and that Performance Plans are due to be discussed by the Expenditure Cabinet Committee this quarter (attached at **Annex One**)

*Noted*

Confidential advice to Government

*Noted*

- c **Note** the previous Minister for Energy requested that EECA consult on maximising its levy funding from \$20m to \$23m (enabling a corresponding reduction in Crown funding)

*Noted*

*Decisions required regarding energy policy level of service and funding*

- d **Note** that the energy policy baseline is decreasing over the forecast period, requiring trade-offs between work programme and funding:

\$ million	2024/25	2025/26	2026/27	2027/28	2028/29
Energy Policy Baseline	14.621	13.829	13.275	12.971	9.206

*Noted*

Confidential advice to Government

- f **Agree** that your preferred option be funded through:

- i. EECA's levy-crown revenue swap, and/or
- ii. Transfer of funding from EECA's main appropriation to energy policy

*Agree / Disagree*

- g **Note** your preferred option will be included in the upcoming March Baseline Update, as per Treasury's direction

*Noted*

- h **Note** that this paper is part of a suite of advice in relation to Budget 2025, Annex Four provides a list of work underway, including actions to date.

*Noted*

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

31/ 01 / 2025

Hon Simon Watts  
**Minister for Energy**

..... / ..... / .....

## Key Steps in Budget 2025 to date

---

1. This section updates you on progress in the Budget 2025 process so far.

### Energy Portfolio Plan

2. Budget 2025 includes agency performance plans. These provide a summary of agency finances, cost pressures, workforce and Crown Entities. All Plans follow the same Treasury template, to support Cabinet discussions. Larger agencies, such as MBIE, have also provided portfolio plans.
3. The Energy Portfolio Plan was approved by the previous Minister for Energy and submitted to Treasury in November 2024 (**Annex One** refers). Key points include:
  - a. Energy portfolio expenditure is largely non-departmental, and includes a significant number of grants and funds.
  - b. The baseline decreases over the forecast period, this includes closure of time-limited programmes, such as warmer kiwi homes. It also includes a falling policy baseline (discussed below).
  - c. There are 7 sector levies (around \$180m), funding functions within the portfolio, as well as three regulatory functions outside the portfolio (Commerce and Consumer Affairs). Annex One includes an additional page on sector levies, which is not included in the Portfolio Plan. In addition to those listed, there will be a new levy for offshore renewable energy from 2025/26.
  - d. In addition to the Energy Policy cost pressure, the EA has also signalled cost pressures. The EA is addressing these through reprioritisation and consultation on a levy increase.
  - e. The Plan includes an additional page for EECA, at the previous Minister's request. It provides information and financials on EECA's regulatory, information, and investment functions for 2024/25, and covers questions you raised at your officials meeting on 27 January 2025.

### Savings initiatives

4. The Energy Portfolio has previously returned \$710m in the 2023 mini-Budget, and a further \$217m in Budget 2024.
5. Treasury commissioned a funds and grants deep dive in July 2024. Based on that, the Minister of Finance set savings targets to be met from the grants and funds. For the Energy portfolio, this was set as:

Confidential advice to Government

- b. A lower target of \$14.06m average savings per year (35 per cent).
6. Targets are based on annual averages, which has implications for savings options in the portfolio, given the significant amount of time-limited grant programmes.

#### *Criteria used to assess potential savings*

7. We used the following criteria to develop a savings options package (informed by the objectives set out in the Minister of Finance's Budget expectations letter):
  - a. **Value for Money**, as informed by fund evaluations where available.

- i. Resilience and affordability funds rank particularly highly on this criterion
  - ii. Returns from support for public sector agencies are less clear, with agencies best placed to consider what is best value-for-money within their portfolios.
- b. **Government priorities:** those funds delivering on Government priorities have been prioritised. For example, the Government's objectives for ensuring resilient infrastructure are directly supported by the Community Renewable Energy Fund.
  - c. **Administrative efficiency:** savings include consolidation of funds, which enables more flexibility and reduced administration costs. We have also sought to avoid creating funds that will only be capable of sub-scale interventions.
  - d. **Role for government:** There is a clear intervention logic for all the energy portfolio funds. It is worth noting that the technology diffusion funding primarily works based on demonstration effects, which could be achieved (to some extent) through other information sharing mechanisms. We have therefore given these funds a relatively lower priority.
  - e. **Distributional effects:** some funds target vulnerable households and communities, for example the Support for Energy Education in Communities and Warmer Kiwi Homes programmes.
8. The following table summarises the savings initiatives submitted by the previous Minister for Energy to meet Minister of Finance targets, **Annex Two** provides further detail.

\$ million	2025/26	2026/27	2027/28	2028/29	Four year average
<b>Total Funds</b>	<b>130.322</b>	<b>124.920</b>	<b>38.566</b>	<b>38.566</b>	<b>74.188</b>

Confidential advice to Government

## Levy-setting for EECA and EA

- 9. Levies for EECA and the EA are reviewed annually. Consultation is undertaken by each entity, and the Minister for Energy approves changes to appropriations as part of the March Baseline Update.
- 10. The EA is fully funded by levy, and has consulted on an increase of \$7.8m, to \$120.3m. This will partly address identified cost pressures, with the remainder to be addressed through

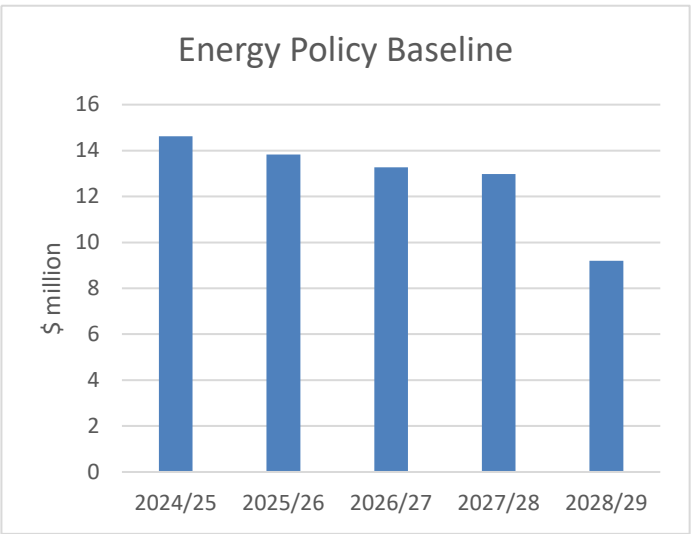
reprioritisation, and commercial negotiations with service providers, **Commercial Information**

The EA will finalise its funding request for 2025/26 and present it for decision to you in February.

11. EECA is partly funded by levy (around a third of their main appropriation). The previous Minister for Energy requested that EECA consult on increasing levy funding from \$20m to \$23m (up to the limit of the Minister’s delegation from Cabinet). This levy-crown revenue swap recognises the benefits to the energy system, and will also provide fiscal savings to the Crown. EECA will finalise its funding request for 2025/26 and present it for decision to you in February.

**The energy policy baseline decreases over the forecast period and is insufficient for the projected work programme**

12. The energy policy work programme is facing volume pressures because of the increasing complexities of the energy system. In addition, the energy policy baseline is decreasing over the forecast period. The previous Minister for Energy directed MBIE to identify options for meeting the cost pressures in energy policy.
13. There is a \$5.4 million reduction in 2028/29 compared with 2024/25 **Confidential advice to Government**. In addition, the following table also notes the all-of-MBIE cost pressures.



\$ 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**

**Options for managing energy policy cost pressures**

14. There are three broad options for addressing the energy policy baseline cost pressure.
- a. **Confidential advice to Government**
  - b. Reprioritise funding from non-departmental expenditure to fund the work programme, or
  - c. **Confidential advice to Government**

**Expected work programme and resources out to 2028/29**

*Outline of the work programme, by workstream*

15. The following table sets out information about the longer-term work programme in order to consider resourcing requirements. It sets out each workstream, its deliverables (consistent with the output plan), and signals the likelihood for ongoing work. Few work programmes

have definite deliverables beyond 2025/26, but we consider that there is likely a need for ongoing resource in most areas to ensure the energy system adjusts to new technology, supply challenges, and growing/changing demand.

<b>Workstream</b>	<b>Current Deliverables</b>	<b>Likely ongoing requirements</b>
Review of Electricity Market Performance	Support independent review of market performance, advise on recommendations. Could be longer implementation if government-led changes	Yes
Emissions Reduction Plan	Ongoing monitoring and delivery against the Plan. ERP3 work likely to commence in 2029/30	Yes
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	Yes
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	Yes
Security of Supply - Fuel	Fuel Security Study (including Marsden Point report) and Plan, Minimum Stockholding Obligations etc	Yes
Alternative Fuels	Sector engagement/facilitation on SAF, biomass, hydrogen, etc, regulatory changes to remove barriers	Yes
DER and Demand Flexibility	Stakeholder engagement/facilitation, oversight of EA and Taskforce work	Yes
Electrify NZ – RM	Fast Track, RM reforms and National Direction package to enable generation and infrastructure	Likely, depending on reforms
Electrify NZ – ORE	ORE Bill, regulations, and an initial Round in late 2025. Further suite of regulations for permit management, decommissioning, and fees. National Standard/Direction for ORE, and development of a one-stop shop for commercial permit and consents.	Likely to fold into BAU once establishment work complete
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)	Yes
Energy Resilience and Affordability	Fund administration and advice (including across users, fund management, RIF proposals). Transferring funds and resourcing to EECA	Yes
System Maintenance	Regulatory activity and updates, levies, monitor/implement regulator recommendations, international engagement	Yes
Ministerial Servicing	OIAs, PQs, MCs, Event/Meeting Briefs, Budget process, regular reporting	Yes
Ad hoc and second opinion	Second opinion on relevant Cabinet papers, advice and updates as requested by the Minister	Yes
All-of-Government policy reviews	Treaty Clauses Review, legislative review required under proposal Regulatory Standards Bill	Likely yes
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.	Yes

*Estimated requirements for the forward work programme exceed current funds*

Confidential advice to Government

17. Current year requirements have been met through borrowing FTE within MBIE temporarily (for the comprehensive response) and staff overtime.
18. We expect resource requirements to fall over the forecast period, but not as fast as the baseline does. It is not possible to meet the ongoing resourcing requirements of the work programme with the current baseline.

### **Options to achieve a balanced budget**

Confidential advice to Government

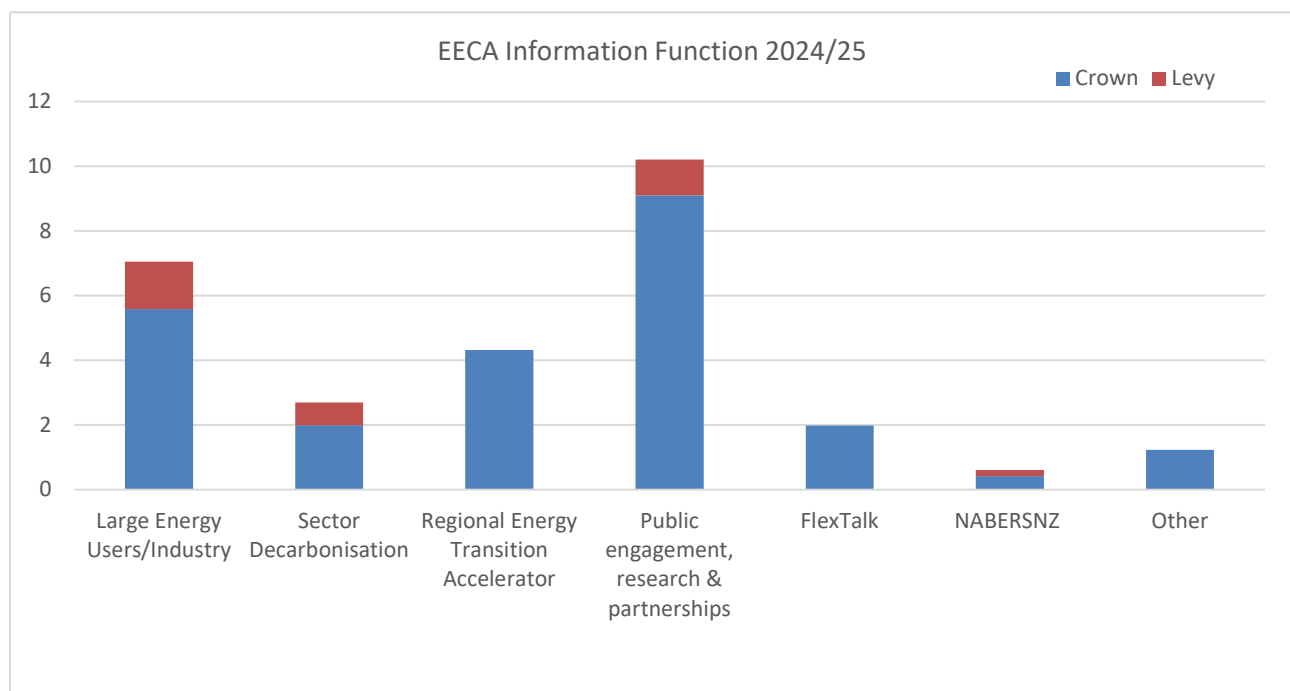


## Reprioritising from within the portfolio

21. We recommend reprioritising funding from EECA's main operating appropriation to your preferred work programme / policy level of service.
22. In the first instance, we recommend leveraging the crown-levy revenue swap that will occur as a result of the consultation on increasing EECA's levy revenue (up to \$3m pa).
23. You also have the option of reducing funding for EECA to meet other priorities in the portfolio. EECA's Board will ultimately decide how to prioritise their funding. There are two options within EECA's activities for reprioritising, depending on the results of the deep dive on grants and funds. EECA will also need to reallocate resources to deliver on its expanded regulatory role. Following decisions on reprioritisation for Budget 2025, you may wish to discuss EECA's priorities with them.
24. The following information is intended to give a sense of the potential trade-offs.

### *Reprioritising from information services to policy advice*

25. There is scope to reprioritise funding from EECA's information function, on the basis that there are discretionary components within that function.
  - a. In 2024/25, EECA has budgeted a total of \$24.6m (\$21.2m in Crown funding) on information functions. For 2025/26, with the increase in levy revenue, and reductions in grants likely to be agreed in Budget, the levy share of funding will increase Confidential advice to Government
  - b. We expect the Regional Energy Transition Accelerator suite of reports to be completed, which potentially frees up \$4.3m.
  - c. There are a suite of information campaigns within the Public Engagement, Research, and Partnerships workload which could also be scaled.



26. Confidential advice to Government

## Next steps

---

28. Once you have indicated your preferred approach, we will incorporate reprioritisation decisions into the March Baseline Update (as per Treasury advice), and make any work programme (and consequent resourcing adjustments) you have directed.
29. Further actions related to Budget 2025 are set out in **Annex Four**.

## Annexes

---

Annex One: Energy Portfolio Plan and Levies

Annex Two: Budget 2025 Savings Initiatives

Annex Three: Work Programme prioritisation options

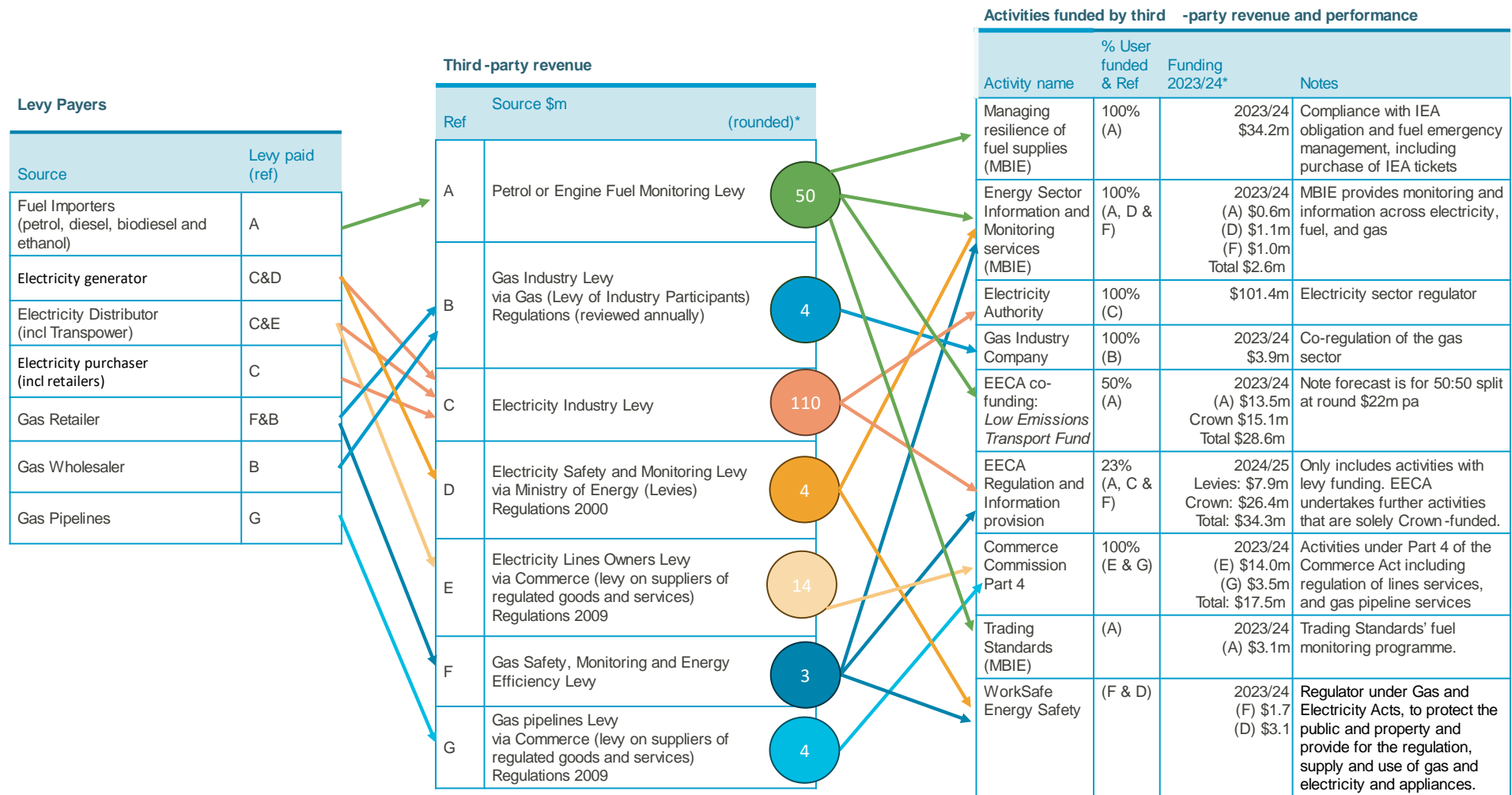
Annex Four: Tracking actions and decisions for Budget 2025

## **Annex One: Energy Portfolio Plan and Levies**

---

Portfolio Plan attached separately

## Energy sector levies – detail view



**\*Caveat**

Levy and expenditure figures are indicative only, and rounding may mean figures do not sum.  
 Revenue is drawn largely from MBIE finance systems, with some adjustments for Crown Entity year end actual results (unaudited ).

## Annex Two: Budget 2025 Savings Initiatives

---

### Technology diffusion funds

30. EECA administers four funds supporting the early adoption of emerging energy efficient and low emissions technologies. These are:
- a. *Technology Demonstration Fund (TDF)*: provides co-funding of projects that demonstrate early adoption of energy efficient technologies or processes that shows their commercial viability in New Zealand, supporting wider dissemination.
  - b. *Industry Development*: supports maintenance of an energy and carbon management accreditation framework and funds industry organisations to develop technical information, guidance, conferences and education.
  - c. *Low Emissions Transport Fund (LETF)*: provides co-funding to projects that demonstrate new-to-market low emissions technologies in the transport sector. This has previously funded projects such as electric battery trucks, and electric ferries.
  - d. *Crown Loans Scheme*: provides interest-free loans to public sector organisations to fund energy efficiency and emissions reductions projects. In practice, this Scheme has generally been used by entities such as schools, councils, and health boards to fund the adoption of equipment like more efficient heating and lighting systems
  - e. *Low Emissions Heavy Vehicle Fund (LEHVF)*: provides co-funding to offset initial costs of purchase or conversion of heavy vehicles to approved low emissions alternatives.

#### *Technology Demonstration, Industry Development and Low Emissions Transport Funds*

31. EECA and MBIE consider that savings can be delivered by consolidating the TDF, Industry Development fund and LETF. A single fund fulfilling a technology diffusion function will simplify the funding environment and reduce administration costs. It will also give greater flexibility for EECA to shift investment across sectors to higher value areas.
32. In addition, we consider funding can be scaled. While these funds align with government objectives to support innovation in low-emissions technology, Confidential advice to Government

Confidential advice to Government

*Low Emissions Heavy Vehicle Fund*

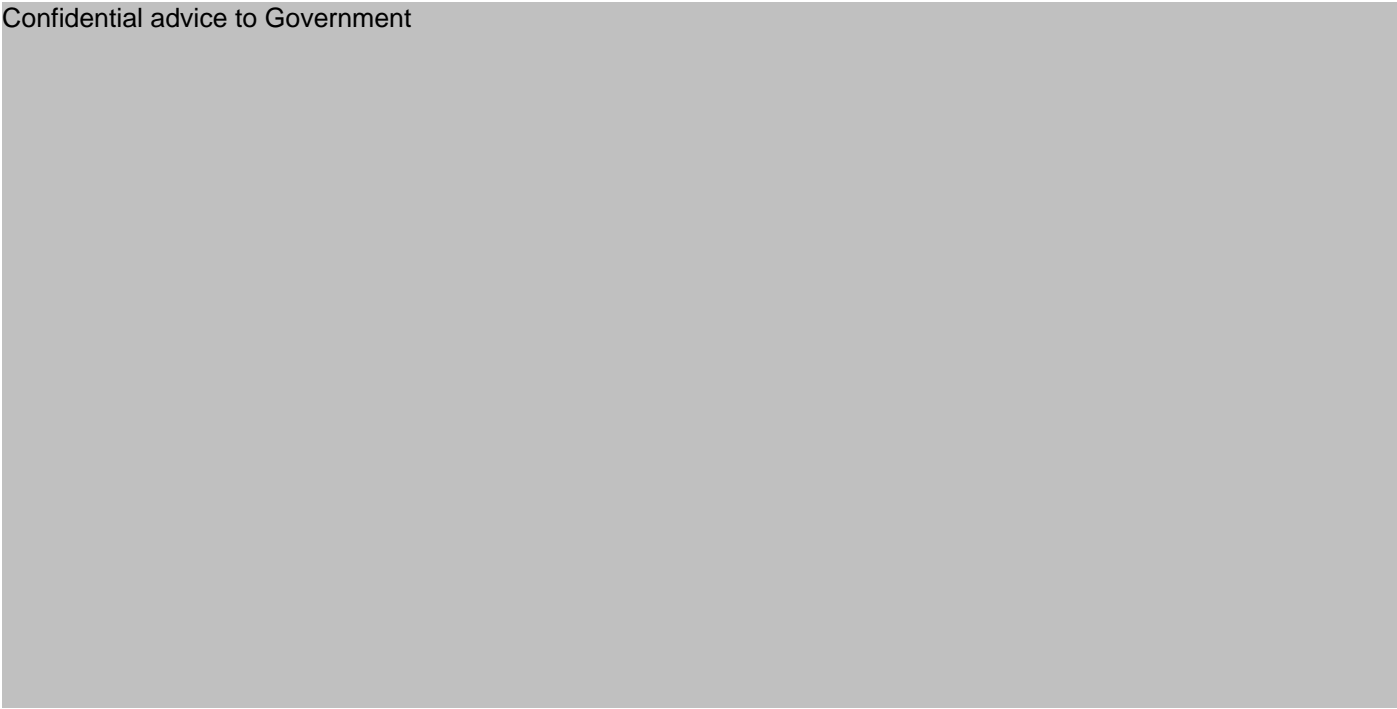
34. We have not suggested changes to the LEHVF. This Fund was newly established in Budget 2023 and is seeing significant industry interest. The LEHVF closely aligns with the Emission Reduction Plan's objectives for heavy transport decarbonisation, and targets an area where government support is currently needed to make transitions to low emissions technologies economical.

**Energy technology development – Ara Ake**

35. Ara Ake – New Zealand's Future Energy Centre – was established in 2020. Its purpose is to facilitate the development and commercialisation of energy innovation to support New Zealand's transition to a low emissions future. The organisation is set up as a company with shareholders and a governing Board, but would not be a going concern without Government funding. It is located in Taranaki but operates nationwide.
36. Ara Ake has a ten-year funding agreement (from 1 July 2023) with MBIE for \$70 million (or \$7 million per annum). Under its contract a mid-point review of Ara Ake including funding levels is due to occur in 2027/28.
37. Ara Ake focuses on funding and commercialisation support to help domestic innovative companies and start ups develop and scale. This contrasts with EECA funds, which focus on supporting businesses to adopt proven innovations.
38. Ara Ake agrees a yearly work programme with MBIE to ensure their activity aligns with Government priorities. Current areas of focus align with priorities such as the development of carbon capture technology and sustainable fuels.
39. Ara Ake spends around \$3.6m per annum on functions of the company that are not direct financial support (eg identifying investment opportunities and commercialisation support to innovators, as well as fund administration). Confidential advice to Government
40. Confidential advice to Government

### **Community resilience and affordability funds**

41. Three community resilience and affordability funds have been considered for savings:
  - a. *Community Renewable Energy Fund (CREF)*: supports community-based renewable energy projects. The CREF is primarily time-bounded funding, and further investment will focus on community resilience sites.
  - b. *Support for Energy Education in Communities Programme (SEEC)*: supports frontline community-based support services to provide specialised advice and education to households in energy hardship, and support households to achieve warmer and more energy efficient homes.
  - c. *Warmer Kiwi Homes (WKH)*: provides grants to low-income households for insulation, efficient heating and basic home repairs.
42. These funds have demonstrated strong demand for their services and high realised benefits:
  - a. The first round of CREF delivered grants to 70 sites to purchase solar PV and battery systems on community buildings, the majority of which served as civil defence sites during 2023 North Island severe weather events, to support their future resilience.
  - b. SEEC has demonstrated average savings for households between \$180-\$230 per year, improved the health of homes, and a recent evaluation found a return of \$2.21 for each \$1 of government funding invested.
  - c. WKH has strong evidence for the benefits achieved, an estimated benefit to cost ratio of over 4:1 and 16 per cent reduction in household electricity use over winter months.
43. These funds also align with government priorities to support resilience to natural hazards and address costs of living.





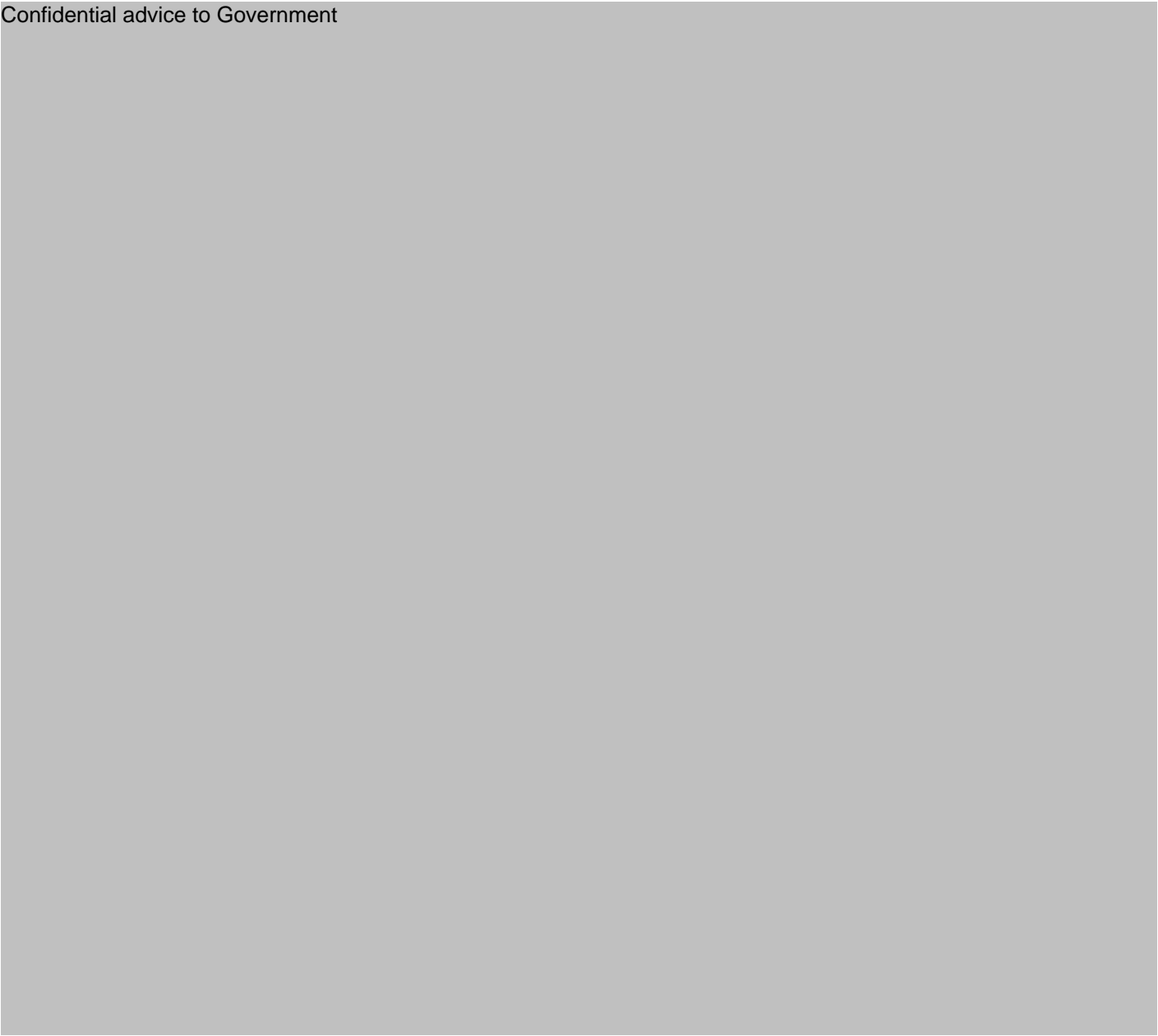
## Annex Three: Work Programme Prioritisation Options

47. This section sets out the range of costed options for the policy work programme and provides detail on likely changes to workstreams under each.

Work programme option	Required increase in baseline \$ million				Comment
	2025/26	2026/27	2027/28	2028/29	

Confidential advice to Government





## Annex Four: Budget 2025 Actions Tracker

Initiative	Status	Next steps
Energy Portfolio Plan	Portfolio Plan balances to zero, with work underway to determine how that will be achieved.  Additional page covering EECA added to Portfolio Plan	Submitted to Treasury 7 November  Central Agency review November/December  Due to be discussed by EXP early 2025
Current year fiscal pressures <ul style="list-style-type: none"> <li>Establish ORE Regulator</li> <li>Review of Electricity Market Performance</li> </ul>	Agreed to transfer up to \$900,000 from grants	To be finalised and included in MBU 2025
Address ongoing energy policy baseline	This briefing seeks your decisions for inclusion in MBU.	Decisions to be included in MBU
EECA funding mix and scale	Decision to support lifting levy revenue from \$20m pa to \$23m (maximising cap set by Cabinet)	EECA will consult on the levy and present formal request in February 2025, to be included in MBU 2025.
Electricity Authority cost pressures	Following negotiations, and work programme prioritisation, EA are now consulting on a \$7.8m (6.9%) increase in levy (\$5.7m for SOSPA and \$1.3m for EA work, and \$0.8m for other service providers)  Sapere follow-up on the 2023 baseline review is underway, due to report in February	Decisions on levy due February/March 2025
Budget 2025 Expectations from Minister of Finance	Confidential advice to Government	Await Treasury advice.  Cabinet decisions in March/April
Associate Minister of Finance baseline review	We have been advised that MBIE will not be included in the baseline review process.	Nil