



BRIEFING

Budget 2025: Options for funding additional energy policy

Date:	27 March 2025	Priority:	Urgent
Security classification:	Budget - Sensitive	Tracking number:	BRIEFING-REQ-0011994

Action sought		
	Action sought	Deadline
Hon Nicola Willis Minister for Economic Growth	Agree underspends from MBIE portfolios be reallocated to fund additional energy policy capacity in Budget 2025	31 March 2025
Hon Simon Watts Minister for Energy	Note the funding sources for additional energy policy capacity proposed in this briefing	31 March 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 on this briefing

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☐ Withdrawn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

The Minister of Finance invited the Minister for Energy and the Associate Minister for Energy to submit a joint, late Budget 25 bid for additional policy capacity for the review of electricity market performance. This was costed at \$7.460m over the forecast period.

MBIE has been directed to identify options to shift resource across portfolios to support these proposals.

MBIE has identified underspends in 2024/25 in *Policy Advice and Related Services – Building and Construction* and *Supporting Decommissioning of Oil Fields 2021-2025* of \$7.460m that could be used to fund the additional energy policy capacity for four years. Ongoing funding has not been identified.

Recommended action

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

- a **Note** the Minister of Finance invited the Minister for Energy and Associate Minister for Energy to submit a joint Budget 25 bid to support delivery of actions from the independent review of electricity markets

Noted
- b **Note** that officials costed the work at \$7.46m over the forecast period, with an ongoing cost of \$1.97m per annum

Noted
- c **Agree** that underspends of up to \$7.460m in 2024/25 in *Policy Advice and Related Services – Building and Construction*, and *Supporting Decommissioning of Oil Fields 2021-2025* appropriations be included in the budget bid to make it fiscally neutral over the forecast period

Minister for Economic Growth: Agree / Disagree
- d **Agree** that, in order to make this initiative fiscally neutral, the bid be amended to a time-limited resource, finishing 30 June 2029

Agree / Disagree
- e **Agree** that, as ownership Minister, the Minister for Economic Growth will confirm this proposal with the Ministers for Building and Construction, and Resources as the underspends fall in their portfolios

Minister for Economic Growth: Agree / Disagree

- f **Agree** the revised Budget 2025 initiative for policy capacity for advice on electricity market review actions and options for government procurement, as follows:

	Funding increase/(decrease) \$million					
	2024/25	2025/26	2026/27	2027/28	2028/29	5 year total
Policy Advice and Related Services to Ministers - Energy (funded by revenue Crown)	-	0.980	1.960	1.960	1.960	6.860
Policy Advice and Related Services to Ministers - Economic Growth (funded by revenue Crown)	-	0.200	0.400	-	-	0.600
Policy Advice and Related Services – Building and Construction (funded by revenue Crown)	(6.460)	-	-	-	-	(6.460)
Supporting Decommissioning of Oil Fields 2021-2025	(1.000)					(1.000)
Total	(7.460)	1.180	2.360	1.960	1.960	-

Agree / Disagree

- g **Agree** that Treasury will amend the draft Budget 2025 package to reflect decisions above

Agree / Disagree

- h **Note** that the Associate Minister of Finance, Hon Bishop, will approve the final treatment of this initiative in the Budget 2025 package

Noted

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

27 / 03 / 2025

Hon Nicola Willis
Minister for Economic Growth

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Hon Simon Watts
Minister for Energy

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Background

1. In late February, the Minister of Finance invited the Minister for Energy and the Associate Minister for Energy to submit a joint bid for additional energy policy capability, specifically to assess and provide ongoing advice on the review of electricity market performance and any subsequent actions the Government agrees, including looking at:

Confidential advice to Government

Budget 2025 funding request

\$ million	Funding increase required (\$m)					
	2024/25	2025/26	2026/27	2027/28	2028/29	5 Year Total
Additional energy policy resource	-	0.980	1.960	1.960	1.960	6.860
Additional procurement policy resource	-	0.200	0.400	-	-	0.600
Total	-	1.180	2.360	1.960	1.960	7.460

2. Ministers have submitted a request for an 18-month project on procurement options, and ongoing resource to implement (other) actions from the review. Ongoing resource for implementing the review has been recommended given the likely scale and complexity of actions.

Funding options

3. Officials have considered a range of options for funding the additional policy capacity.

Confidential advice to Government

- c. We have identified underspends in 2024/25 of up to \$7.460m, which could be used to offset costs over the forecast period without affecting delivery.

Underspends

4. The following appropriations are forecasting underspends in the current financial year:

Appropriation	Forecast underspend	Rationale
Building Policy, Regulation and Advice MCA Policy Advice and Related Services to Ministers - Building and Construction	\$6.460m	Funding was retained to close out the Construction Accord team and either complete or end the remaining contracts. This occurred more rapidly, resulting in an underspend.
Supporting Decommissioning of Oil Fields 2021-2025 MYA	\$1.000m	The Tui oil well decommissioning has now been completed with the last well certified as sealed off. The remaining provision for decommissioning has been returned to the centre. The project team supporting the decommissioning work has also been closed, with completion under budget and therefore there is a small amount of funding available.

Funding option for progression in Budget 2025

5. Given the direction to fund this initiative through reprioritisation, we recommend amending the original initiative to time-limited funding. This would provide a surge resource to deliver Government actions following the review of the electricity market.
6. It does create a risk that, as the funding comes to an end MBIE will have to slow the pace of delivery and/or seek additional funding. Budget 2025 includes an initiative to resolve the current issues with fixed term funding in the portfolio.

Treasury Comment

7. The Treasury has reviewed this briefing. It notes that generally it is not good practice to reprioritise underspends in this way. However, it is comfortable that this is a pragmatic approach given the available timeframes for confirming changes to be included in Budget 25, provided that the change is fiscally neutral over the forecast period.

Next steps

8. If you agree with the proposed approach:
 - a. officials recommend that the Minister for Economic Growth confirm the approach with the Ministers for Building and Construction, and Resources
 - b. the Treasury will finalise the approval with the Associate Minister of Finance, and
 - c. MBIE officials will work with Treasury to include the funding in the Budget 2025 package.