

24 January 2024

Dr Marcos Pelenur
Chief Executive
Energy Efficiency and Conservation Authority (EECA)
Level 8, 44 The Terrace
WELLINGTON 6011

Sent via email: levyconsultation@eeca.govt.nz

Dear Marcos

2024/25 energy levies funding proposal and work programme

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Energy Efficiency and Conservation Authority's (EECA) consultation paper "*2024/25 energy levies funding proposal and related work programme*"¹ ("Issues Paper") published for consultation on 8 January 2024.
2. MEUG members have been consulted on the approach to this submission. Members may lodge separate submissions. This submission does not contain any confidential information and can be published on EECA's website unaltered.

Comments on energy levies proposed for 2024/25

3. MEUG, on behalf of our 14 members,² welcomes the opportunity to review EECA's 2024/25 levy funding proposal and the associated work programme. Our members currently use approximately 28% of all New Zealand's electricity, and therefore pay a large proportion of the levies gathered for EECA's work programme. We appreciate that EECA has kept the funding amount proposed to be recovered from levies consistent with last year (2023/24), while proposing a slight decrease (\$2.29 million) in overall programme costs. A focus on value for money is important, as all consumers continue to face an increase in the cost of living.
4. MEUG would like to make the following comments on the assumptions and rationale set out for EECA's 2024/25 proposed work programme:
 - a. As outlined in previous submissions on the levies,³ MEUG continues to hold the view that most of EECA's proposed work programme should be paid from the Government's general account, not via levies. We remain unconvinced that EECA has undertaken sufficient analysis to determine the exact market failure(s) that it seeks to address through the interventions, nor undertaken robust cost-benefit analysis.

¹ <https://www.eeca.govt.nz/about/news-and-corporate/news/eeca-consults-on-proposed-energy-levies-for-2024-25/>

² <http://www.meug.co.nz/node/1330>

³ <http://www.meug.co.nz/node/1263> and <http://www.meug.co.nz/node/1169> and <http://www.meug.co.nz/node/1108>

- b. While EECA has attempted to quantify some of the energy savings and carbon emissions reductions achieved by its programmes during 2022/23,⁴ there are still many areas such as Sector Decarbonisation and Industry Development where tangible savings cannot yet be illustrated. Given that the price of carbon is known through New Zealand's Emissions Trading Scheme, if EECA is to intervene, it should be targeting programmes where the cost of intervention is demonstrably less than the current carbon price, demonstrating a cost-effective use of levy funds. The figures set out in Appendix 5 of the consultation paper lead us to question whether cost effective reductions are consistently being achieved across programmes.
- c. Consistent with last year's submission,⁵ we continue to disagree with EECA's proposal to pool levies gathered from both gas and electricity users.
- d. The consultation paper states that "*in an efficient and competitive market, less energy will be used.*"⁶ We do not believe that this statement necessarily holds true – in a competitive market, businesses can continue to use the same level of energy and produce more outputs – increasing their performance relative to competitors and contributing further to the economy.
- e. EECA states that "*switching to renewable energy solutions where possible also reduces our dependence on fossil fuels, increases our energy security and makes us more resilient to fluctuating commodity prices*". While there are obvious benefits from using less fossil fuels, there are also risks associated with increased reliance on primarily one energy source – electricity ("*all your eggs in one basket*"), putting a stronger focus on electricity security standards..

Next steps

- 5. We have appreciated our engagement with EECA staff over recent years and would welcome the opportunity to host EECA at an upcoming MEUG meeting during 2024, where we can discuss actions to further support businesses in their decarbonisation work.
- 6. If you have any questions regarding our submission, please contact MEUG on 027 472 7798 or via email at karen@meug.co.nz.

Yours sincerely



Karen Boyes
Major Electricity Users' Group

⁴ Appendix 5 of the consultation paper.

⁵ <http://www.meug.co.nz/node/1263>.

⁶ Page 7 of the consultation paper.