Major Electricity Users' Group

14 December 2020

Andrew Caseley
Chief Executive
Energy Efficiency and Conservation Authority
By email to levyconsultation@eeca.govt.nz

Dear Andrew

EECA 2021/22 levy consultation

1. This is a submission from the Major Electricity Users' Group (MEUG) on the Energy Efficiency and Conservation Authority (EECA) 2021/22 levy funding proposal and related work programme published 16th November 2020[1].

2. MEUG members have been consulted in the preparation of this submission. This submission is not confidential. Members make also make separate submissions.

3. MEUG welcomes EECA not proposing to increase the electricity levy compared to the appropriation in 2020/21, that is keeping the levy at $5.5m. However, MEUG believes the proposed levy should be decreased because:

    a) The arguments we have made for several years still stand. That is Government's general account not a levy should fund most of EECA's work.

    b) The effect of COVID-19 on the economy should be a matter considered by every Crown entity that applies a mandatory tax by way of a levy such as the EECA electricity levy. It is expected that in 2021/22 households and businesses on average will have less disposable income and profits because of the residual effects on the economy of COVID-19. The quality of spending from existing and new taxes and levies needs to be critically assessed to minimise unnecessary additional stress on households and businesses. In the view of MEUG, EECA's electricity levy funded work programme fits into the group of well-meaning but debateable value taxes because most programmes are not about increasing productivity; rather they are about wealth transfers with a few levy payers' being "winners" and most levy payers' being "losers" that pay for the cross-subsidy.

[1] web site https://www.eeca.govt.nz/about/news-and-corporate/levy-consultation/21-22-levy-consultation/ and document URL https://www.eeca.govt.nz/assets/EECA-Resources/Levy-consultation/Consultation-on-EECAs-2021-22-levy-funding-proposal-and-related-work-programme.pdf.

c) A possible problem with retaining the total quantum of levies at $5.5m in 2020/21 is the risk electricity demand may be lower than this year. That will lead to an under-recovery of expenditure if the $5.5m is entirely spent as the levy is a fixed per unit basis set at the beginning of the year. A decrease in aggregate demand is possible because of the effect on the economy and electricity intensive users' from COVID-19. Several large users' have announced strategic reviews that may or have led already to downsized operations or even possible exit from New Zealand.

d) Over the last year the number of Crown agencies offering financial and or policy analysis support for energy efficiency and accelerated electrification projects has expanded significantly. For example:

~ The establishment of the NZ Green Investment Finance.[2]

~ The establishment of Ara Ake.[3]

The above is in addition to the following funding programmes administered by EECA that are largely focussed on electricity use:

~ The new Government Investment in Decarbonising Industry (GIDI) Fund announced 11th November 2020.[4] This $70m fund "will allow business and industries to access financial support to switch away from boilers run on coal and gas, to cleaner electricity and biomass option."

~ The existing Low Emission Vehicles Contestable Fund (LEVCF) that offers up to $6.5 million a year to projects that will accelerate the uptake of electric vehicles (EVs) and other low emission vehicles. The LEVCF is paid for via a levy on petrol and engine fuels.[5]

While some of these agencies also have other energy forms within their remit, there is no doubt that government money competing for potential electricity efficiency projects is far greater than EECA's levy funded electricity work. MEUG is not aware of any analysis to ensure the spread and depth of Government assistance for electricity efficiency is balanced, targeted, do not overlap or duplicate efforts, and will realise marginal benefits that exceed costs relative to other. The latter includes addressing market failures in the conventional way, such as ensuring a robust shadow price for non-priced externalities such as the ETS carbon price.

Yours sincerely

Ralph Matthes
Executive Director

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2 https://nzgif.co.nz/
3 https://www.araake.co.nz/
4 https://www.eeca.govt.nz/about/news-and-corporate/news/new-fund-launched-to-reduce-carbon-emissions-from-coal-and-gas/
5 https://genless.govt.nz/running-a-business/co-funding-and-support/low-emission-vehicles-contestable-fund/about-the-fund/