



Cabinet

Amended Minute CAB Min (08) 14/1(19)

Minute of Decision

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2008 Budget Package: Vote Energy

On 14 April 2008, Cabinet:

1. **approved** the Budget initiatives for the above Vote for inclusion in the 2008 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
4661	Enforcement of Electricity Sector Regulation	-	-	-	-	-
4662	Control of Natural Gas Pipelines	-	-	-	-	-
4663	Energy Efficiency - EnergyWise Homes Project - Interest Free Loans	-	-	-	-	-
5271	Extension of the Energy Products Programme, Including Energy Star® Endorsement	-	0.750	0.750	0.750	0.750
5272	Enforcement and Compliance of Vehicle Fuel Economy Programme	-	0.250	0.250	0.250	0.250
5320	EnergyWise Home Grants	-	1.500	1.500	1.500	1.500
5321	Business Energy Efficiency Programmes	-	2.550	2.250	2.250	2.250
Total Operating		-	5.050	4.750	4.750	4.750

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Total Capital		-	-	-	-	-

2. **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
3. **approved** the changes to appropriations and/or projected balances of net assets of the administering department (where applicable) to implement the initiatives, as set out in the attached initiative documents;

4. **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
5. **agreed** that the proposed changes to appropriations and/or projected balances of net assets for 2007/08 above be included in the 2007/08 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
6. **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2007/08 Supplementary Estimates, the 2008/09 Estimates and the fiscal forecasts;
7. **noted** that all communications relating to the 2008 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office.

Secretary's note: This minute has been reissued at the request of the Ministry of Economic Development in order to correct an error in the description and performance text of Initiative 5320.

Secretary of the Cabinet

Reference: 2008 Budget package tabled
by the Minister of Finance

Distribution:

Prime Minister
Chief Executive, DPMC
Director PAG, DPMC
Minister of Finance
Secretary to the Treasury
Hon Jim Anderton
Minister of Energy
Chief Executive, MED (Energy)
Controller and Auditor-General

Initiative No: 4661

Vote: Energy

Title: Enforcement of Electricity Sector Regulation

Description: Output funding for the enforcement of electricity sector regulation by the Commerce Commission

Theme: Economic Transformation **Theme Objective:** World class infrastructure: other action

Performance Information

Performance Text

The Commerce Commission requires extra funding to complete a reset of regulatory thresholds, complete outstanding areas of its Information Disclosure Review, and conclude post breach inquiries it expects to have on hand in 2008/09. The Commission will develop generic input methodologies that provide certainty, transparency and predictability to regulated businesses by 30 June 2010. The Commission's electricity sector regulation is funded by a levy on electricity lines businesses.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	3.950	0.743	-	-
Total	-	3.950	0.743	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-Departmental Output Expenses: Enforcement of Electricity Sector Regulation	-	3.950	0.743	-	-
Total Operating	-	3.950	0.743	-	-
Total Capital	-	-	-	-	-

Additional Recommendation

noted that there is no impact on the government's operating balance, as the additional funding will be entirely recouped through an industry levy.

Initiative No: 4662

Vote: Energy

Title: Control of Natural Gas Pipelines

Description: Output funding for the enforcement of control of natural gas pipelines by the Commerce Commission.

Theme: Economic Transformation

Theme Objective: World class infrastructure: other action

Performance Information

Performance Text

Funding will be used to implement the proposed regime for gas pipelines. Gas pipeline work will include the development of generic input methodologies that provide certainty, transparency and predictability to regulated businesses by 30 June 2010, preparation of default price-quality paths for businesses not under price control, preparation of information disclosure, and consideration of any proposals for customised price-quality paths: this is funded by the Control of Natural Gas Services Levy.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	0.203	3.001	1.600	1.600
Total	-	0.203	3.001	1.600	1.600

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-Departmental Output Expenses: Control of Natural Gas Services	-	0.203	3.001	1.600	1.600
Total Operating	-	0.203	3.001	1.600	1.600
Total Capital	-	-	-	-	-

Additional Recommendation

noted that there is no impact on the Government's operating balance, as the additional funding will be entirely recouped through an industry levy.

Initiative No: 4663

Vote: Energy

Title: Energy Efficiency - EnergyWise Homes Project - Interest Free Loans

Description: To cover additional costs associated with the Electricity Commission's proposed contribution to the EnergyWise Homes programme, part of the New Zealand Energy Strategy. The Commission's contribution would be funded from the levy on electricity industry participants.

Theme: Economic Transformation

Theme Objective: World class infrastructure: other action

Performance Information

Performance Table

	Unit of Measurement	Performance Specification				
		2007/08	2008/09	2009/10	2010/11	2011/12
Quantity						
Average annual savings from insulation retrofits	Dollars	0	500	500	500	500
Number of insulation installations completed	Number	0	3500	3500	3500	3500
Timeliness						
Average timeframe between application and completion of insulation installation.	Time	0 months	3 months	2 months	2 months	2 months

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	2.600	-	-	-
Total	-	2.600	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-Departmental Output Expenses: Energy Efficiency and Conservation					
Electricity Efficiency	-	2.600	-	-	-
Total Operating	-	2.600	-	-	-
Total Capital	-	-	-	-	-

Initiative No: 4663

Additional Recommendations

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

noted that the Electricity Commission will fund \$2.4 million per annum by re-prioritisation within the existing appropriation;

noted that there is no impact on the government's operating balance, as the additional funding will be entirely recouped through an industry levy.

Initiative No: 5271

Vote: Energy

Title: Extension of the Energy Products Programme, Including Energy Star® Endorsement

Description: This is an extension of the current energy-using products programme (including the continuation of the Energy Star endorsement programme) to increase the range of consumer that have minimum energy performance standards, mandatory labelling and ENERGY STAR® endorsement.

Theme: Economic Transformation

Theme Objective: Environmental sustainability:
environmental solutions

Performance Information

Performance Table

	Unit of Measurement	Performance Specification				
		2007/08	2008/09	2009/10	2010/11	2011/12
Quality						
Specifications agreed by USA Environmental Protection Agency and Department of Energy	Products added	3	3	3	3	3
Product classes added or existing stringency levels increased	Products added	1	4	5	9	5

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	0.750	0.750	0.750	0.750
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	0.750	0.750	0.750	0.750

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-Departmental Output Expenses: Energy Efficiency and Conservation					
Energy Efficiency and Conservation	-	0.750	0.750	0.750	0.750
Total Operating	-	0.750	0.750	0.750	0.750
Total Capital	-	-	-	-	-

Initiative No: 5272

Vote: Energy

Title: Enforcement and Compliance of Vehicle Fuel Economy Programme

Description: Cabinet agreed to vehicle fuel economy labelling in March 2008 as a New Zealand Energy Efficiency and Conservation Strategy priority. The vehicle fuel economy labelling is developed and ready to implement. The Energy Efficiency and Conservation Authority has funded the development of the scheme through existing baselines. There is currently no funding allocated for the scheme once it becomes operational.

Theme: Economic Transformation

Theme Objective: Environmental sustainability:
environmental solutions

Performance Information

Performance Text

The vehicle fuel economy labelling scheme is predicted to offer the following benefits:

- 25-year, 5% discount rate net present value of \$343 million;
- fuel savings of around 6.2 million litres per year by year 5, and 14 million litres per year by year 10;
- around 15,000 t/y CO2 emission avoided by year 5, and around 35,000 t/y CO2 emission avoided by year 10;
- cumulative CO2 savings of 985kt by year 25;
- a cost-benefit ratio of approximately 2.2.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	0.250	0.250	0.250	0.250
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	0.250	0.250	0.250	0.250

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-Departmental Output Expenses: Energy Efficiency and Conservation					
Energy Efficiency and Conservation	-	0.250	0.250	0.250	0.250
Total Operating	-	0.250	0.250	0.250	0.250
Total Capital	-	-	-	-	-

Initiative No: 5320

Vote: Energy

Title: EnergyWise Home Grants

Description: Extending the New Zealand Energy Efficiency and Conservation Strategy EnergyWise Home Grants scheme to deliver in total 32,000 insulation retrofits to low-income families in poorly insulated and heated pre-1978 homes (at 8,200 annually to 2012). Since 1996, 30,000 homes have been retrofitted.

Theme: Economic Transformation

Theme Objective: Environmental sustainability:
other action

Performance Information

Performance Text

The funding will be used to extend the existing scheme by 1,400 homes annually to achieve 32,000 in total over the four years, to cover the cost of increased insulation standards, and to provide more government funding for retrofits and marketing of the scheme.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Operating Balance Impact	-	1.500	1.500	1.500	1.500
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	1.500	1.500	1.500	1.500

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-Departmental Output Expenses: Energy Efficiency and Conservation					
Energy Efficiency and Conservation	-	0.150	0.150	0.150	0.150
Other Expenses to be Incurred by the Crown:					
Energy Efficiency and Renewable Energy Grants and Assistance	-	1.350	1.350	1.350	1.350
Total Operating	-	1.500	1.500	1.500	1.500
Total Capital	-	-	-	-	-

Initiative No: 5321

Vote: Energy

Title: Business Energy Efficiency Programmes

Description: Extend the Energy Efficiency and Conservation Authority's Energy Intensive Business, Emprove and Small-to-Medium Business Enterprise programmes to encourage increased implementation of energy efficiency opportunities, reduce energy consumption and carbon emissions, and improve business productivity and profitability. New Zealand Energy Efficiency and Conservation Strategy action targeted to deliver 4.1 PJ per annum energy savings by 2025 (subject to outyear funding).

Theme: Economic Transformation

Theme Objective: Environmental sustainability:
other action

Performance Information

Performance Table

	Unit of Measurement	Performance Specification				
		2007/08	2008/09	2009/10	2010/11	2011/12
Quantity						
Emprove extension and industrial heat processes project	Energy savings PJs	0	0.4	0.6	0.8	1.0

Performance Text

In addition to the PJs savings, this initiative will deliver energy efficiency advice and programmes that can assist businesses respond to higher energy prices as a result of the government's emissions trading scheme.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	-	2.550	2.250	2.250	2.250
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	2.550	2.250	2.250	2.250

Initiative No: 5321

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
Non-Departmental Output Expenses:					
Energy Efficiency and Conservation	-	0.255	0.225	0.225	0.225
Other Expenses to be Incurred by the Crown:					
Energy Efficiency and Renewable Energy Grants and Assistance	-	2.295	2.025	2.025	2.025
Total Operating	-	2.550	2.250	2.250	2.250
Total Capital	-	-	-	-	-