

# **VOTE** *Climate Change and Energy Efficiency*

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## Overview

Appropriations agreed for Vote Climate Change and Energy Efficiency in 2007/08 total \$50.378 million. This will be allocated as follows:

- \$1.166 million (2.3% of the Vote) for purchasing policy advice (and monitoring services) from the Ministry for the Environment. This includes an additional \$950,000 of new funding from the EnergyWise package.
- \$9.348 million (18.6% of the Vote) for purchasing climate change policy advice from the Ministry for the Environment.
- \$11.364 million (22.6% of the Vote) for the carbon monitoring programme to meet obligations under the Kyoto Protocol.
- \$17.322 million (34.3% of the Vote) for purchasing non-departmental outputs from the Energy Efficiency and Conservation Authority (EECA).
- \$8.776 million (17.4% of the Vote) for energy efficiency and renewable energy grants and assistance.
- \$2.000 million (4.0% of the Vote) for capital expenditure to the Crown Energy Efficiency loan scheme.
- \$102,000 (0.2% of the Vote) for New Zealand's contribution to the United Nations Framework Convention on Climate Change.
- \$300,000 (0.6% of the Vote) for New Zealand's contribution to the Climate Change Development Fund to support international projects addressing climate change impacts.

The Ministry for the Environment expects to collect \$1.749 million of other revenue in 2007/08.

Details of appropriations appear in Parts B1 and C of this Vote. Details of Crown revenue appear in Part F.

## Terms and Definitions Used

EECA	Energy Efficiency and Conservation Authority
IPCC	Intergovernmental Panel on Climate Change
NZCAS	New Zealand Carbon Accounting System
NZEECS	New Zealand Energy Efficiency and Conservation Strategy
NZES	New Zealand Energy Strategy
UNFCCC	United Nations Framework Convention on Climate Change

## Minister Portfolio Table

28	Minister of Energy
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# *Climate Change and Energy Efficiency*

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ADMINISTERING DEPARTMENT: Ministry for the Environment

The Minister for the Environment is the Responsible Minister for the Ministry for the Environment

## Part A - Statement of Objectives and Trends

### Part A1 - Objectives for Vote

#### *Related Government Goals*

The output expenses in Vote Climate Change and Energy Efficiency contribute to the Government's overall energy policy objective of a sustainable and efficient energy future, as set out in the Energy Policy Framework (October 2002).

#### *Output Appropriations*

In 2007/08, the Minister of Energy will purchase the following output appropriations in Vote Climate Change and Energy Efficiency:

- Policy Advice - Energy Efficiency and Conservation
- Policy Advice - Climate Change
- Carbon Monitoring Programme.

#### *Links Between the Output Appropriations and the Government's Goals*

The output expenses in Vote Climate Change and Energy Efficiency will contribute to the Government's overarching goal of economic transformation with a strong focus on environmental sustainability. This vote supports Government's engagement with businesses and community groups and aims to reduce New Zealand's Greenhouse Gas emissions and meet international obligations under the UNFCCC and the Kyoto Protocol.

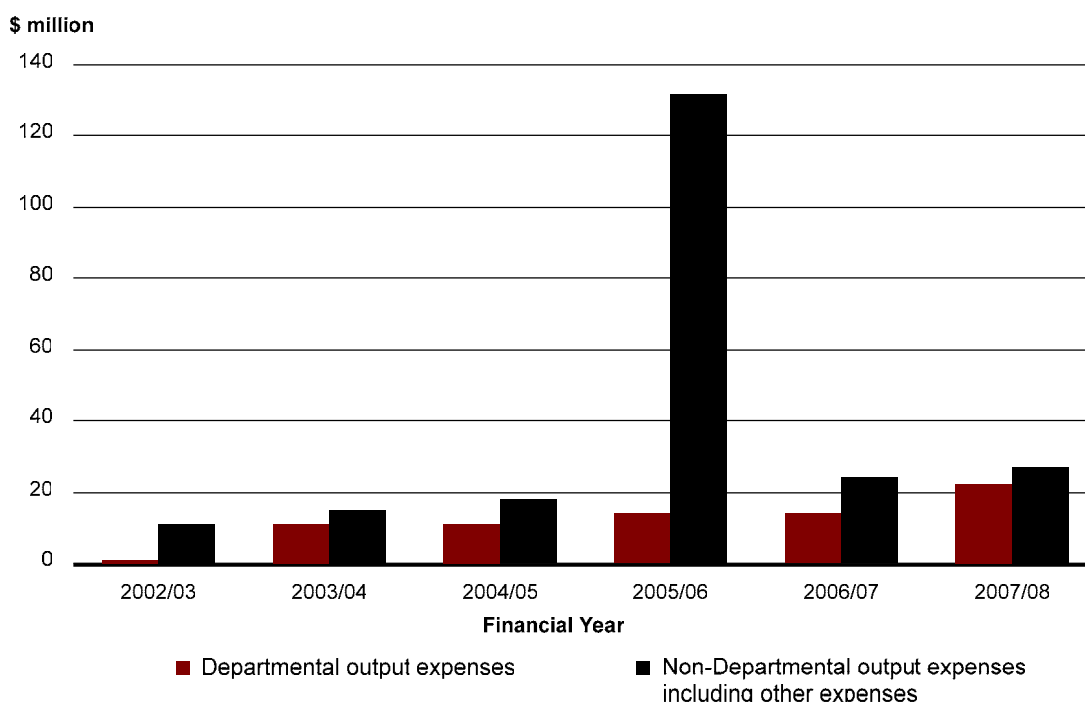
In particular, the appropriations will purchase the following areas of work:

- providing advice on matters relating to energy efficiency and conservation and the use of renewable sources of energy
- promoting practices and technologies to further energy efficiency and conservation and the use of renewable sources of energy
- monitoring and reviewing the state of energy efficiency and conservation and the use of renewable sources of energy
- implementing a greenhouse gas inventory system that meets New Zealand international obligations under the Kyoto Protocol
- providing and co-ordinating measures to reduce New Zealand's emissions of greenhouse gases and adapt to climate change
- engaging New Zealand in the ongoing negotiations for future agreements on countries' commitments under the Kyoto Protocol following 2012

- identifying business opportunities arising from climate change
- improving the understanding of climate change risks to the primary and local government sectors and infrastructure to allow better private and public sector management decisions
- analysing and collecting of relevant data for the development and implementation of a carbon accounting system, and
- promoting public awareness of the importance of energy efficiency and conservation and the use of renewable sources of energy.

## Part A2 - Trends in Vote

**Figure 1** - Trends in departmental and non-departmental output expenses 2002/03 to 2007/08



Source: Ministry for the Environment

### *Analysis by Appropriation Type*

Up to and including 1999/2000, the Energy Efficiency and Conservation Authority (EECA) was a semi-autonomous body within the Ministry of Economic Development. Its outputs formed part of Vote Energy (*Output Expense - Energy Efficiency and Conservation*). As of 1 July 2000, the Authority became a Crown Entity monitored by the Ministry for the Environment.

#### **Departmental output expenses**

In September 1993, New Zealand ratified the United Nations Framework Convention on Climate Change (UNFCCC) and in December 2002 the Government ratified the Kyoto Protocol. This means as from January 2008, New Zealand is committed to reducing emissions of greenhouse gases to 1990 levels or face the cost of emissions above those levels.

In 2003/04, the Vote baseline increased by \$10.525 million due to the former New Zealand Climate Change Office becoming part of the Ministry for the Environment. This prompted a name change from *Vote Energy - Energy Efficiency and Conservation*, to the current *Vote Climate Change and Energy Efficiency*.

In 2005/06, the Vote baseline increased by \$2.523 million from that provided in 2004/05 due to additional appropriation to complete the development of the New Zealand Carbon Accounting System (NZCAS), and to ensure its implementation to meet the Kyoto Protocol. An additional \$2.998 million was allocated in the 2006/07 budget round for the development of the NZCAS which increased the total appropriation for the Vote baseline to \$20.833 million.

In the 2007/08 budget round, additional funding of \$950,000 was allocated for the EnergyWise package: Vote Climate Change and Energy Efficiency Components and \$1.200 million was allocated for an initiative to move the public sector towards carbon neutrality.

### **Non-departmental output expenses**

In 2006/07, EECA received \$15.282 million to provide operational and policy outputs in accordance with EECA's statutory functions under the Energy Efficiency and Conservation Act (2000) and applicable Government policies. This is an increase of \$1.611 million from 2005/06, which is due to a new initiative funding for the Home Energy Rating Scheme. The increase in baseline from 2006/07 to 2007/08 is due to approved funding of \$3.168 million for the implementation of a five year solar water heating programme.

### **Other expenses**

In 2003/04, 'Other expenses' increased significantly due to the introduction of the EnergyWise Grant Scheme (\$1.066 million). In 2004/05 \$2.044 million was provided for the Crown's contribution to fund improvements to the energy efficiency of New Zealand's businesses and homes and to develop the solar hot water industry. This was subject to a further increase of \$800,000 in 2005/06.

During 2005/06, the provision for New Zealand's forecast liability under the Kyoto Protocol was increased by \$111.150 million. This was to reflect Cabinet's decision not to proceed with the carbon tax. During 2006/07 \$1.778 million was provided as a contribution from the Ministry of Health to the EnergyWise Home Grants Scheme. In the 2007/08 budget round, an additional \$1.400 million was allocated for the EnergyWise Package to maintain EnergyWise Home Grants and \$2.398 million was allocated for the implementation of a five year solar water heating programme.

### **Capital expenditure**

A capital appropriation of \$2.000 million is provided for the Crown Energy Efficiency loan scheme.

## New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
EnergyWise Package: Vote Climate Change and Energy Efficiency components	Departmental Output Expense - Policy Advice - Energy Efficiency and Conservation	-	950	1,950	1,950	1,950
Moving the Public Sector towards carbon neutrality	Departmental Output Expense - Policy Advice - Climate Change	-	1,200	7,100	2,100	-
EnergyWise Package: Home Energy Rating Scheme policy development	Non Departmental Output Expense - Energy Efficiency and Conservation	-	250	-	-	-
EnergyWise Package: Maintain EnergyWise Home Grants	Other Expenses to be incurred by the Crown - Energy Efficiency and Renewable Energy Grants and Assistance	-	1,400	1,600	1,900	3,900
<b>Total Initiatives</b>		-	<b>3,800</b>	<b>10,650</b>	<b>5,950</b>	<b>5,850</b>

## Part B - Statement of Appropriations

### Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used				2008/09	2009/10	2010/11	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
<b>Appropriations</b>														
Output Expenses	8,640	21,322	23,702	24,458	29,502	28,602	21,878	-	17,322	-	39,200	39,355	33,488	30,723
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	1,529	2,293	313,733	117,640	8,340	8,090	-	-	9,178	-	9,178	9,757	9,840	9,280
Capital Expenditure	1,000	1,652	2,000	1,242	2,758	2,500	N/A	N/A	2,000	-	2,000	2,000	2,000	2,000
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
<b>Total Appropriations</b>	<b>11,169</b>	<b>25,267</b>	<b>339,435</b>	<b>143,340</b>	<b>40,600</b>	<b>39,192</b>	<b>21,878</b>	<b>-</b>	<b>28,500</b>	<b>-</b>	<b>50,378</b>	<b>51,112</b>	<b>45,328</b>	<b>42,003</b>
<b>Crown Revenue and Receipts</b>														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Capital Receipts	758	824	1,088	1,226	1,508	1,508	N/A	N/A	N/A	N/A	1,749	1,749	1,749	1,749
<b>Total Crown Revenue and Receipts</b>	<b>758</b>	<b>824</b>	<b>1,088</b>	<b>1,226</b>	<b>1,508</b>	<b>1,508</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1,749</b>	<b>1,749</b>	<b>1,749</b>	<b>1,749</b>



## Part B1 - Details of Appropriations

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
<b>Departmental Output Expenses (General)</b>							
Carbon Monitoring Programme (M28)	5,445	-	4,545	-	11,364	-	- Development of a national carbon accounting system that will contribute to the meeting of New Zealand's greenhouse gas reporting obligations under the Kyoto Protocol and the UNFCCC.
Policy Advice - Climate Change (M28)	8,326	-	8,326	-	9,348	-	- Policy advice and implementation, operational costs and fulfilling international obligations to support the Government's commitment on Climate Change under the Kyoto Protocol.
Policy Advice - Energy Efficiency and Conservation (M28)	216	-	216	-	1,166	-	- Policy advice from the Ministry for the Environment on energy efficiency and conservation issues. Monitoring of EECA services provided by the Ministry for the Environment.
<b>Total Departmental Output Expenses (General)</b>	13,987	-	13,087	-	21,878	-	
<b>Non-Departmental Output Expenses</b>							
Energy Efficiency and Conservation (M28)	15,515	-	15,515	-	17,322	-	- Operational and policy outputs in accordance with the EECA's statutory functions under the Energy Efficiency and Conservation Act (2000) and applicable Government policies.
<b>Total Non-Departmental Output Expenses</b>	15,515	-	15,515	-	17,322	-	
<b>Other Expenses to be Incurred by the Crown</b>							
Contribution to Climate Change Development Fund (M28)	300	-	300	-	300	-	- New Zealand's contribution to the Climate Change Development Fund to support international projects addressing climate change impacts.
Energy Efficiency and Renewable Energy Grants and Assistance (M28)	7,938	-	7,688	-	8,776	-	- Crown's contribution to fund improvements to the energy efficiency of New Zealand businesses and homes (with a particular focus on the homes of low income earners); and to develop the solar hot water industry.
Framework Convention on Climate Change (M28)	102	-	102	-	102	-	- New Zealand's contribution to the United Nations Framework Convention on Climate Change.
<b>Total Other Expenses to be Incurred by the Crown</b>	8,340	-	8,090	-	9,178	-	
<b>Capital Expenditure</b>							
Crown Energy Efficiency (M28)	2,758	-	2,500	-	2,000	-	- Capital expenditure for the Crown loan scheme.
<b>Total Capital Expenditure</b>	2,758	-	2,500	-	2,000	-	

	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Appropriations							
<b>Total Appropriations</b>	40,600	-	39,192	-	50,378	-	

## Part C - Explanation of Appropriations for Output Expenses

### Part C1 - Departmental Output Expenses

#### *Policy Advice - Energy Efficiency and Conservation*

This output expense covers the purchase of advice by the Minister of Energy and includes:

- monitoring of EECA by the Ministry for the Environment
- providing policy advice on energy efficiency and conservation issues from the Ministry for the Environment
- managing the transfer of funds for the Crown loan scheme
- advising the Minister on matters relating to energy efficiency and conservation, and the use of renewable sources of energy in New Zealand
- administration of the Energy Efficiency and Conservation Act 2000, and
- administering energy efficiency regulations.

#### *Policy Advice - Climate Change*

This output expense covers the purchase of advice by the Minister of Energy and includes:

- providing climate change policy advice from the Ministry for the Environment
- ongoing management of previous Negotiated Greenhouse Agreements
- managing existing Projects to reduce emissions agreements
- operating of programmes for local government, agriculture and forestry, small and medium-sized enterprises energy intensive businesses, business opportunities, transport, climate change adaptation, science and emissions inventory
- operating climate change information programmes, and
- fulfilling New Zealand's international climate change obligations and building international relationships.

#### *Carbon Monitoring Programme*

This output expense covers the purchase by the Minister of Energy of the following activities to implement the carbon monitoring programme:

- data collection in indigenous forests, regenerating scrub forests and the soils beneath
- data collection on soils undergoing land use change (eg, from pasture to forestry and vice versa)
- analysis, allometric model development and provision of other science related to data collected
- data collection on soils other than those covered above
- data collection on planted production forestry growth
- land use, land use change and forestry underpinning science and science capability

- provision and analysis of data for tracking the land use change from 1990, and
- development, management and coordination of the carbon accounting and monitoring system.

## **Part C2 - Non-Departmental Output Expenses**

### *Energy Efficiency and Conservation*

The Minister of Energy will purchase operational and policy outputs from EECA in accordance with EECA's statutory functions under the Energy Efficiency and Conservation Act 2000 and applicable Government policies.

Outputs in this class focus on providing energy efficiency leadership and information in government, business and household sectors. Those outputs are central to the implementation of the New Zealand Energy Efficiency and Conservation Strategy (NZEES).

Under section 21(1) of the Energy Efficiency and Conservation Act 2000, EECA is required to encourage, promote and support energy efficiency, energy conservation and the use of renewable energy resources in New Zealand. In particular EECA's work includes:

- leading development of the replacement NZEES, in tandem with MED's development of the New Zealand Energy Strategy (NZES)
- assisting the Minister to administer the replacement NZEES
- promoting public awareness of the importance of energy efficiency and conservation and the use of renewable sources of energy
- promoting practices and technologies to encourage energy efficiency and conservation and the use of renewable sources of energy
- arranging for the conduct of research, assessments, demonstrations and studies, and
- collecting data on, and monitoring trends in, the state of energy efficiency, energy conservation and the use of renewable sources of energy.

Key strategic outputs for 2007/08 include:

- finalising the replacement NZEES
- supporting work to finalise the NZES
- finalising a pilot for a voluntary Home Energy Rating Scheme
- implementing a mandatory fuel economy labelling scheme for new and used vehicles at point of sale, wherever information is available
- increasing the uptake of insulation and other energy efficient technologies in homes (with a focus on pre-1977 homes), and
- implementing the Cabinet-agreed programme to increase the uptake of solar water heating in New Zealand.

### **Quantity, quality and timeliness**

Activities will be carried out in accordance with the provisions of the Energy Efficiency and Conservation Act 2000, and the provisions of the Statement of Intent between the Minister of Energy and EECA.

Information about the nature and level of intended purchases is specified in the Statement of Intent tabled in Parliament and made available to all interested parties.

Activities will meet the standards defined in the Statement of Intent and the 2007/08 Output Plan between the Minister of Energy and EECA.

Quarterly reports will be provided to the Minister of Energy on EECA's performance against the outputs defined in the 2007/08 Output Plan.

All work programmes will be completed within timeframes and priorities set and monitored by EECA's Board.

**Cost**

	2006/07 \$000	2007/08 \$000
Total output class expenses	15,515	17,322
Total output class revenues	15,515	17,322

**Provider**

The Energy Efficiency and Conservation Authority.

## Part F - Crown Revenue and Receipts

### Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
<b>Capital Receipts</b>				
Crown Energy Efficiency Loans	1,508	1,508	1,749	Repayment of Crown Energy Efficiency Loans.
<b>Total Capital Receipts</b>	1,508	1,508	1,749	
<b>Total Crown Revenue and Receipts</b>	1,508	1,508	1,749	