

7 January 2011

Mike Underhill
Chief Executive
Energy Efficiency and Conservation Authority
PO Box 388
WELLINGTON

via e-mail: levyconsultation@eeca.govt.nz

Dear Mike

2011/12 Appropriations and Work Priorities

Business New Zealand is pleased to have the opportunity to provide a submission to the Energy Efficiency and Conservation Authority (EECA) on the energy efficiency element of the consultation paper entitled 'Proposed Appropriations and Work Priorities for the 2011/12 Financial Year' dated 22 November 2010.¹

As discussed with you prior to the end of the year, BusinessNZ remains reluctant to support the appropriation (in total, not just the proposed 35% uplift of \$4.5m) unless it is well justified. We do not believe that this justification is, as yet, forthcoming. Specifically, BusinessNZ does not support the appropriation request because:

- a. of the reasons outlined in our submission to the Ministry of Economic Development entitled 'Draft New Zealand Energy Strategy – Developing our Energy Potential (and the Draft New Zealand Energy Efficiency and Conservation Strategy)', dated 3 September, 2010. As set out in this submission² (particularly pages 6 – 10), the public policy rationale for this expenditure appears extremely weak;
- b. the focus of intervention needs to be on the demonstrable achievement of *public* not private benefits and certainly not on whether some cost (in this case the cost of the intervention) is cheaper than some other cost (the cost of new supply). Given the large difference between the

¹ Background information on Business New Zealand is attached in Appendix One.

² This submission can be found on BusinessNZ's website, at the following location:
http://www.businessnz.org.nz/file/1953/100903NZES_NZEECS%20submission.pdf

subsidy costs and the NPV, it would appear that private benefits and/or wealth transfers (in this case between levy payers and the recipients of the subsidy) have been included in the calculation;

- c. the proposal has a sense of 'rationale retrofitting' to it. In other words, with the appropriation already approved as a part of the baseline, there is a sense that this is an appropriation in search of a problem rather than a merits-based justification of a new funding proposal; and
- d. the appropriation was established under the last Labour-led Government. That Government had an entirely different set of policy objectives (focused on carbon neutrality) and it is unclear of the extent to which the expenditure now meets the more rigorous public policy requirements of the National-led Government.

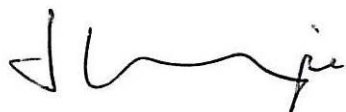
As outlined in our submission to the Ministry of Economic Development, BusinessNZ considers that the proposed expenditure would be more productively utilised if linked to a more appropriate policy objective such as the transition to a low carbon economy, particularly for small-to-medium sized manufacturers and exporters. New Zealand finds itself in a position of early adopter of an economy-wide carbon price. Regardless of the reasons behind this, we now need to seize the strategic initiative this position affords us by moving New Zealand businesses away from business-as-usual into a lower carbon intensive future.

BusinessNZ remains firmly of the view that immediate specific support is needed for existing firms that have difficulty assessing and addressing their exposure to a carbon price. Support needs to be targeted at addressing barriers in the transition to 2012 and beyond that relate to the provision of information about the scheme and how existing firms can better understand, adapt and mitigate carbon emissions, and/or remove barriers that impede the uptake of low emissions technologies and processes.

The strategic review of EECA would appear to be a useful place to commence a general reorientation towards the support of lower carbon efficient enterprise. Energy efficiency will form an important part of any support arrangements though a low carbon objective suggests that its reach needs to be broader.

BusinessNZ would support an appropriately justified proposal targeted at this goal and looks forward to working with EECA to this end.

Yours sincerely



John A Carnegie
Manager, Energy, Environment and Infrastructure
Business New Zealand

APPENDIX ONE: ABOUT BUSINESS NEW ZEALAND

Encompassing four regional business organisations (Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, and the Otago-Southland Employers' Association), Business New Zealand is New Zealand's largest business advocacy body. Together with its 58 strong Major Companies Group, and the 70-member Affiliated Industries Group (AIG), which comprises most of New Zealand's national industry associations, Business New Zealand is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, Business New Zealand contributes to Governmental and tripartite working parties and international bodies including the ILO, the International Organisation of Employers and the Business and Industry Advisory Council to the OECD.

Business New Zealand's key goal is the implementation of policies that would see New Zealand retain a first world national income and regain a place in the top ten of the OECD (a high comparative OECD growth ranking is the most robust indicator of a country's ability to deliver quality health, education, superannuation and other social services). It is widely acknowledged that consistent, sustainable growth well in excess of 4% per capita per year would be required to achieve this goal in the medium term.