



MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Defining Energy Hardship Consultation Summary

November – December 2021





**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Ministry of Business, Innovation and Employment (MBIE)

Hīkina Whakatutuki - Lifting to make successful

MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

MBIE combines the former Ministries of Economic Development, Science + Innovation, and the Departments of Labour, and Building and Housing.

More information

www.mbie.govt.nz

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Information, examples and answers to your questions about the topics covered here can be found on our website www.mbie.govt.nz or by calling us free on 0800 20 90 20.

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ISBN (online) 978-1-991022-12-7

November 2021

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Defining Energy Hardship

Energy hardship is known to be a very real problem for many households in Aotearoa. But we don't have a single, agreed definition for what it means and how we should measure it.

In late 2019, the Ministry of Business, Innovation and Employment (MBIE) was tasked with developing an agreed definition of energy hardship. This was a recommendation of the Electricity Price Review.

We've undertaken research and worked with a range of experts to develop a proposed definition and a set of measures that can be used to determine levels of energy hardship at a national level across Aotearoa. We have also incorporated input from stakeholder engagement. We met with representatives from other government agencies, NGOs, academics, industry, and Māori and iwi groups while developing these proposals.

The next step is to seek wider feedback on this proposed definition and set of indicators. Once we've collected this feedback, we will use it to develop a final definition and set of measures. These can then be used to measure levels of energy hardship across Aotearoa. The information will be used to better target initiatives to reduce energy hardship and increase energy wellbeing in our communities. They will also help us track over time whether these initiatives are making a difference.

We are now **seeking feedback** on this proposed definition and set of measures.

Have your say

This summary outlines the proposals we are seeking feedback on during this consultation period. We welcome comment on any of the material below, and we will publish a summary of submissions after the consultation period has ended.

More detailed information can be found in the Defining Energy Hardship Discussion Document, which you can find on the [MBIE website](#). Here you'll also find a link to an **online survey** where you can share your thoughts, and information on other ways you can have your say.

During the consultation period we will hold a webinar where we talk through the Discussion Document and answer questions. More information about the webinar will be made available on the MBIE website. You can also email us to register your interest so we can let you know the details when they become available.

We will also hold a webinar for iwi groups. Please email us if you would like to attend either of these webinars so we can share the event details when they become available.

You can email us at definingenergyhardship@mbie.govt.nz.

The consultation period runs from Thursday 4 November to Thursday 16 December, 2021.

Visit www.mbie.govt.nz/have-your-say/defining-energy-hardship for more information.

Energy hardship and energy wellbeing

The Government has a focus on promoting the wellbeing of all New Zealanders. For this reason, we have first defined energy wellbeing, with energy hardship being the opposite of energy wellbeing. We have then looked at how to measure energy hardship in Aotearoa and are proposing a number of potential measures. Initiatives to address energy hardship will help move households towards energy wellbeing.



ENERGY HARDSHIP

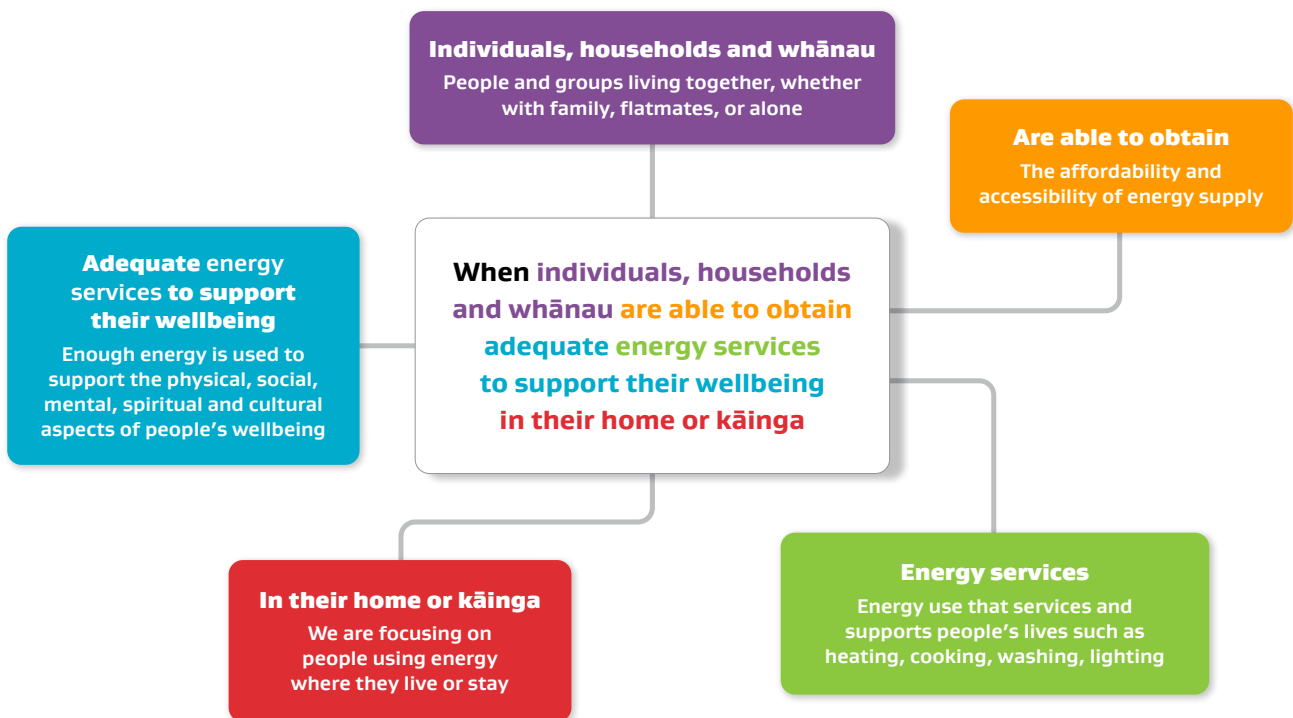
ENERGY WELLBEING

A definition for energy wellbeing

Our proposed definition of energy wellbeing is designed to be accessible and flexible for all New Zealanders. It defines what we are working towards.

When individuals, households and whānau are able to obtain adequate energy services to support their wellbeing in their home or kāinga

Each component of the definition below is explained in the coloured boxes. The definition focuses on places where people live or stay, so it doesn't include commercial energy use, or energy for transport.



An energy wellbeing framework

Our proposed framework shows the connected factors that can contribute to a household's energy wellbeing or hardship. People and their dwellings are at the heart of the framework. All of the terms in the framework are explained in Section 4.3 of the Discussion Document.



Energy wellbeing indicators

The following indicators have been proposed to connect household outcomes to the energy wellbeing definition. They help frame what we are working towards for all households in Aotearoa. We have used these indicators of energy wellbeing to consider how to measure energy hardship.

Theme	Energy wellbeing indicators
Access	Access to a reliable energy supply when needed Able to access and use technologies to manage energy, such as making online transactions.
Able to afford and manage bills	Able to afford energy bills without borrowing or economising on other expenses Able to heat, wash, cook and use other energy services as required to stay comfortable without having to forego other necessities
Enabling resources	A dwelling that can maintain a healthy temperature Access to necessary appliances that are safe, effective and efficient
Wellbeing is supported in the home or kāinga	A dry and well-ventilated home A healthy indoor temperature

Measuring energy hardship

Our starting point for measuring energy hardship has been to define energy wellbeing. When helping people in our communities it is important to focus on aspirations and goals. However, for lifting energy wellbeing it is important to also have measures of hardship so we can better understand how many households need support, and track whether programmes are making a difference to help households out of hardship.

Proposed primary measures

We propose four primary measures of energy hardship

We have selected these as primary measures because they closely link to the indicators of energy wellbeing. Two of the proposed primary measures (P1 and P2) look at how much a household spends on energy in relation to their income, after they've paid for housing costs. These reflect situations where households are spending a large proportion of that income on energy, which could leave them without enough money for other necessities.

The first measure (P1) tells us how different households are doing currently compared with an average household in Aotearoa. The second (P2) looks at how different households are doing compared to a fixed baseline year, which can show us how levels of hardship have changed over time.

We have proposed these as interim measures until we can develop measures that take into account the amount of energy people need rather than just what they buy (we currently only have data on what households are spending). We need to improve the data we have available to create such measures and this is proposed as part of future work.

The other two measures (P3 and P4) are based on a household's experiences of energy hardship. These reflect another side of energy hardship where households might not be using enough energy services to support their wellbeing.

The data for these primary measures is collected in a regular survey by Stats NZ to accurately represent households across Aotearoa.

Measure number	Energy hardship measure
P1 (interim)	Proportion of After Housing Costs (AHC) household income spent on domestic energy costs twice the median or more (moving line)
P2 (interim)	Proportion of AHC household income spent on domestic energy costs twice the median or more (fixed line)
P3	Put up with feeling cold to keep costs down a lot
P4	Dampness and/or mould problems - major

Potential secondary measures

We have proposed 22 potential secondary measures. They are considered secondary because some do not directly measure energy hardship, and some are based on data that is not collected frequently. We are seeking feedback as to the number of secondary measures to consider and which ones you think are most important. More information on the advantages and disadvantages of these measures can be found in Appendix C of the Discussion Document. These come from a range of official data sources that can be used as official measures of energy hardship immediately.

Measure number	Energy hardship measure
P5	No access to electricity supply
P6	No home access to computer or internet
P7	No access to financial institution account
P8	Could not pay electricity, gas, rates, or water bills on time (more than once)
P9	Unable to afford unexpected expense without borrowing
P10	Proportion of Before Housing Costs (BHC) household income spent on domestic energy costs twice the median or more (moving line)
P11	Proportion of BHC household income spent on domestic energy costs twice the median or more (fixed line)
P12	Absolute domestic energy expenditure half the national median or less (moving line)
P13	Cannot afford to keep the dwelling adequately warm
P14	Using prepayment metering
P15	No heating type used
P16	Not heating own bedroom in winter
P17	Not heating children's bedroom in winter
P18	Not heating main living room in winter
P19	Trouble heating accommodation and/or keeping it warm in winter
P20	Using unsafe substitute heating methods (portable gas heater).
P21	Lacking one or more basic amenity.
P22	Housing repairs needed - major
P23	Mould larger than an A4 - always
P24	Damp - always
P25	Can see breath indoors in winter
P26	Indoors always colder than would like in winter

Depth of energy hardship

As well as measuring how many households are experiencing a measure of energy hardship we are also looking into ways we can measure the depth of energy hardship. This is to determine where individuals, whānau and households in Aotearoa are on the energy hardship/wellbeing continuum.

Measuring the wider impacts of energy hardship

We know that energy hardship can often result in poor health outcomes. However, at a national level, changes in indicators of health cannot be directly attributed to changes in levels of energy hardship. We propose to select a number of health and wellbeing indicators as energy hardship-related indicators.

Further research

Once finalised, the measures we are proposing can be used immediately to identify levels of energy hardship at a national level. However, there is an opportunity to improve some of these measurements.

We have done some early work on the potential size of energy hardship based on some of our proposed measures. These results are published in a **Technical Appendix to the Discussion Document**. Based on this initial analysis, energy hardship affects between 1 in 5 and 1 in 19 households in Aotearoa depending on which measure is used.

We are planning to undertake further analysis and research around the proposed measures to inform our final recommendations. These include methods for modelling a household's energy needs. This research and other proposals are explained further in the Discussion Document, available on the [MBIE website](#).