

## Submission on Options for expanding the purpose of existing energy levies

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Organisation: Individual

Please identify your sector: Consultant: energy productivity, energy efficiency policy and markets

What are your views on the objective of this proposal? Do you agree or disagree with it? Why?

I agree with the proposal.  
The existing electricity levy arrangements are based on an elapsed Electricity Commission context and model of naively 'purchasing' electricity demand 'savings'. The levy model was naïve at the time it was instituted and the market for energy efficiency has matured well beyond that naïve paradigm. It is driven now by: dynamic cost-reflective energy pricing (perhaps more so than any other energy market globally) that economically balances supply with efficiency, fuel changing, load management and renewables options; a capable private sector; a growing energy efficiency finance capability in New Zealand; and an essential foundation of energy efficiency policies and regulations.  
It's high time the levy was reviewed. It does not meet the stated objective. Selecting either of options 2 and 3 should ensure balance across beneficiary and causer, and could enable better balance between public and private benefits and costs.  
Administrative simplicity and transparency are relative - what appears simple or transparent to one individual is complex to another. Current activity based budgeting and reporting disciplines should be able to ensure sufficient transparency on funds allocation and utilisation.

What do you think is the appropriate balance between 'administrative simplicity/transparency' and the 'causer or beneficiary pays' and 'rationality' criteria? Should more weight be given to one over the others?

The real challenge is to develop a stronger rationality to the intent, allocation, utilization and performance of any funds, whether levy or tax sourced.  
MBIE should ensure an obvious rationality and accountability before the use of any funds. This should involve a robust annual consultation process with all classes of energy consumers.  
A strong rationality would target:

- Effective market transformation outcomes with clear outcomes to consumers, rather than government programme outputs.
- Relevance to New Zealand's need for productivity improvements and increased value creation in different sectors.
- Stimulating private sector supply chains and their provision of energy efficiency products and services
- Best application of levy funds; the levy might be allocated to private sector entities for energy efficiency market development and shouldn't be assumed to be allocated to EECA only.
- Develop consumer belief in value of energy efficiency as part of developing consumer commitment and uptake.

- Synergies between energy efficiency, renewables and conventional options

Which option do you think provides the best balance?

3a

What is your preferred option?

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Why do you consider this the best option?

It best delivers the objective.  
 It meets equity criteria.  
 It is capable of opening up a better exploration of how energy efficiency, renewable energy and other sustainable options can synergise to deliver greater benefits across a wide range of sectors.  
 It recognises that some of the greatest opportunities for improved productivity lie in non-stationary applications of energy. Globally, most government's efforts are focused on stationary energy applications, transport is often ignored. For New Zealand, with no shortage of renewable stationary energy options, and a high dependence on trade in physical goods, we need to focus on transport productivity.  
 The proposed proportions are a good start and can be reviewed over time.

Of the options you do not prefer, what issues or reasons do you think are most important for us to consider?

Option 1 implies a continuing naïve electricity DSM focus. It is inadequate. New Zealand needs a broader perspective on energy efficiency and energy productivity.

Are there other options for providing transparency in the use of levy money (besides requiring annual consultation and reporting

High degree of consultation on levy principles and objectives.  
 External evaluation of market capability, potentials and outcomes.  
 Evaluation of productivity improvements in sectors where energy productivity has been stimulated by energy efficiency.  
 Put all applications for levy use through a common cost – benefit analysis including multiple benefits.  
 Better representation from consumers and users on levy allocation processes.  
 Improved analysis of energy efficiency, disaggregating structural, fuel mix and activity changes to better understand the drivers for energy demand, state and response options.