WPI Pulp

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WPI™
timber **pulp** forestry

3rd June 2016

Justine Cannon
Energy Markets Policy
Energy and Resources Markets
Minister of Business, Innovation and Employment

By email to: energymarkets@mbie.govt.nz

Dear Justine

OPTIONS FOR EXPANDING THE PURPOSE OF EXISTING ENERGY LEVIES

This is Winstone Pulp International Limited's (WPI) submission on the Ministry of Business, Innovation & Employment's (MBIE) consultation paper "Options for expanding the purpose of existing energy levies" published 17th May 2016.

WPI supports the Major Electricity Users Group's (MEUG) submission on this consultation paper and makes the following additional comments:

1. WPI operate a pulp mill at Karioi, near Ohakune, that produces 200,000 tonnes per annum high grade pulp for export and we use approximately 240,000MWh/y electricity. We therefore pay approximately $80,000/y electricity levies that are used to support EECA's work.
2. To stay internationally competitive, WPI must aggressively manage our operating costs. Energy and particularly electricity is a major component of WPI's input costs and we have focused on managing this cost through a long term in house energy efficiency programme. Over the last 7 years, this programme has achieved over a 30% reduction in electricity use per tonne of pulp produced, equal to an efficiency saving of over 80,000MWh/y.
3. <u>We have had no assistance from EECA in achieving this result</u>. While we have tried to access their support, to date we have not been able to access any help that reasonably meets our needs.
4. It is our view that, for larger electricity users who by nature operate complex businesses, the current levy funding for EECA is both ineffective and economically inefficient. Based on our experience, the reasons for this appear to be threefold:

a. While EECA have the capability to promote simple generic solutions for the mass market, they have not been able to offer the type of technical capability we need to support energy efficiency in a complex process plant;

b. Their programme design does not reasonably accommodate the complex mix of business considerations that need to be addressed by a large process industry when considering energy efficiency options; and

c. The EECA programme overheads, the need to manage the spending of so called public money (our levy money) and associated compliance costs, all incur unproductive costs on both EECA and large users.

5. To address this policy problem, we support your option to charge the EECA levy on a flat rate per ICP.

Thank you for the opportunity to make this submission.

Yours sincerely

P Saunders.

Paul Saunders
General Manager Operations