



## BRIEFING

### Reprioritising the Government Investment in Decarbonising Industry Fund

<b>Date:</b>	8 December 2023	<b>Priority:</b>	High
<b>Security classification:</b>	Budget - Sensitive	<b>Tracking number:</b>	2324-1197

Action sought		
	Action sought	Deadline
Hon Simeon Brown <b>Minister for Energy</b>	<b>Note</b> the legal and operational implications of returning all unallocated GIDI funding  <b>Forward</b> this briefing to the Minister of Climate Change and the Associate Minister of Climate Change	11 December 2023
Hon Shane Jones <b>Associate Minister for Energy</b>	<b>Note</b> the contents of this briefing	11 December 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Paul Stocks	Deputy Secretary, Building and Resource Markets	9(2)(a)	✓
Justine Cannon	General Manager, Energy and Resource Markets		
Sharon Corbett	Policy Director, Energy and Resource Markets		

The following departments/agencies have been consulted
n/a

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



# BRIEFING

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<b>Date:</b>	8 December 2023	<b>Priority:</b>	High
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### Purpose

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This briefing:

- provides information on some of the operational implications of immediately reprioritising the GIDI fund in full;
- provides information on potential legal implications under the *Climate Change Response Act 2002*, of stopping the GIDI programme and outlines how some of these risks can be managed; and
- notes officials' intent to provide you with advice in early 2024 on options for resetting policy for reducing industrial emissions.

### Recommended action

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The Ministry of Business, Innovation and Employment recommends that you:

- Note** MBIE understands you have agreed with the Minister of Finance to return the remaining \$646.7 million of funding from the GIDI appropriations  
*Noted*
- Note** that since 14 October 2023 the Energy Efficiency and Conservation Authority (EECA) has not accepted new GIDI applications and deferred making final decisions on submitted applications in accordance with the caretaker convention  
*Noted*
- Note** EECA has deferred making final decisions on 27 applications, with a total value of Government funding requested of just over \$26.7 million  
*Noted*
- Note** if the full \$646.7 million of GIDI funding is returned to the centre, EECA will be unable to process the remaining submitted applications  
*Noted*
- e 9(2)(h) [Redacted]  
*Noted*
- Note** if you wish to ensure EECA retains sufficient funding to determine submitted GIDI applications, officials recommend you discuss the possibility of retaining \$26.7 million of funding with the Minister of Finance on the condition that any unallocated funding would be returned in Budget 2024  
*Noted*

g **Note** that GIDI funding was estimated to deliver 26 per cent of the emissions reductions required for Emissions Budget 2 (2025–2030) and reprioritising the GIDI funding may require new or changed policies and measures to ensure New Zealand is on track to meet the second and third emissions budgets

*Noted*

h **Note** officials intend to provide you with further advice in early 2024 on options for resetting policy for reducing industrial emissions following the closure of the GIDI fund

*Noted*

i 9(2)(h)

*Noted*

j 9(2)(h)

*Noted*

k **Agree** to forward this briefing to the Minister of Climate Change and the Associate Minister of Climate Change.

*Agree / Disagree*

9(2)(a)

Sharon Corbett  
**Policy Director, Energy and Resource  
Markets**  
Building and Resource Markets, MBIE

Hon Simeon Brown  
**Minister for Energy**

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Hon Shane Jones  
**Associate Minister for Energy**

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## Background

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1. Officials understand you have agreed with the Minister of Finance to reprioritise the remaining \$646.7 million of unallocated funding from the Government Investment in Decarbonising Industry (GIDI) fund for the December 2023 mini-Budget. We understand Cabinet will consider the mini-Budget on Monday 11 December 2023.
2. EECA has advised MBIE that, since 14 October 2023, it has deferred making final decisions on submitted applications (received prior to the General Election) in accordance with the caretaker convention. Prior to closing the GIDI programmes to new applications, EECA received 27 applications, with a total value of Government funding requested of \$26.7 million.
3. This briefing also provides information on potential legal implications for the Minister of Climate Change under the *Climate Change Response Act 2002*, of stopping the GIDI programme and outlines how some of these risks can be managed.

## Option regarding applications received before the election

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4. EECA has deferred making final decisions on 27 applications received before 14 October 2023, with a total value of Government funding requested of \$26.7 million.

*We have received legal advice relating to how these applications are treated*

5. 9(2)(h)

6. 9(2)(h)

7. If you are concerned about this advice, you could discuss with the Minister of Finance the option of immediately reducing the amount of GIDI funding returned to the centre by \$26.7 million in 2023/24 (representing the value of submitted applications).

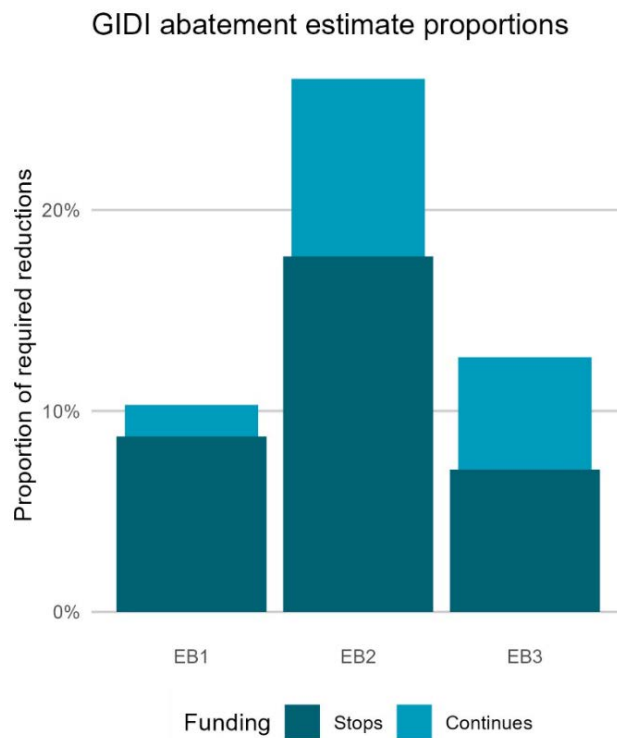
*Further information on the applications received but not considered*

8. There are 27 GIDI Industrial and GIDI Commercial Buildings applications received prior to 14 October that are outstanding. These were submitted in August, September and October, with the majority submitted in September.
9. Applicants will have been developing their proposals for some time, and in many cases they will have incurred costs (time and money) to develop the business cases and feasibility studies required for their application.
10. These applicants include some more typical GIDI Industrial projects (e.g. meat and dairy processors, concrete and cement production, and timber processors). They also include commercial building energy improvements for less typical recipients (e.g. tourism and hotel businesses, council buildings, and retirement villages).

## Implications for the government's climate change commitments

11. Crown Law has advised that it is important Ministers are advised of the expected emissions impacts and mitigations when considering whether to stop or change emission reduction policies, particularly where they are material for meeting the Government's emissions budgets. This section sets out those impacts and some proposed mitigations.
12. The Climate Change Response Act 2002 sets a system of legally binding emissions budgets that cap the amount of net greenhouse gas emissions that are permitted across successive five-year periods (or four years in the case of the first emissions budget). GIDI was expected to meet about 10.3% of reductions. If stopped immediately, this reduces to about 8%.
13. GIDI funding was also forecast to play a material role in the second emissions budget (2025-2030), delivering approximately 26% of the required reductions.
14. As illustrated in Figure 1 below, MBIE and EECA estimate that allocating no new GIDI funding (aside from processing applications that have already been submitted) would result in approximately 3.2 million tonnes (Mt) additional emissions by 2030 and 10Mt additional emissions by 2050. The number of additional emissions will increase if EECA does not process the 27 submitted applications.

**Figure 1: the estimated emissions reductions from the GIDI fund (as a proportion of emissions budgets) in scenarios where no new funding is allocated from 2024 onwards (dark blue) and where funding continues to be allocated (light blue).**



15. 9(2)(h)

16. 9(2)(h)

9(2)(h)

17. 9(2)(h)

18. 9(2)(h)

19. 9(2)(h)

20. We understand this legal risk will also be reflected in the overarching advice to the Minister of Finance, and to Cabinet, for the Mini-Budget.

## **We will provide you with advice in early 2024 on options for resetting policy to reduce industrial emissions**

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21. Returning unallocated GIDI funding will require a reset of policy for reducing industrial emissions, particularly to ensure New Zealand is on track to meet the second and third emissions budgets. This will require higher and more stable Emissions Trading Scheme (ETS) prices, as well as policies to support the ETS to achieve least cost abatement.
22. The second Emissions Reduction Plan (due at the end of 2024) provides an opportunity to develop a system-wide package of options that collectively contribute to the Government's long-term objectives for the energy transition and for meeting our climate change targets.
23. Indicative focus areas for industrial emissions reductions policy to complement the ETS and unlock greater productivity could include:
- a. addressing electricity infrastructure costs to enable businesses to more efficiently respond to rising emissions prices;
  - b. enable biomass for energy supply infrastructure, particularly in the South Island where supply chains are under-developed; and
  - c. encourage small and medium businesses to adopt energy efficient and low emissions equipment.

## **Next steps**

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24. If you would like EECA to have the option to process outstanding GIDI applications, we recommend you discuss the possibility of retaining \$26.7 million of GIDI funding with the Minister of Finance, on the condition that any unallocated funding would be returned in Budget 2024, before Cabinet meets on Monday 11 December.
25. We will provide further advice in early 2024 with options for resetting policy to reduce industrial emissions and the opportunities for including this in the second Emissions Reduction Plan.

26. 9(2)(h) [REDACTED]  
[REDACTED] We therefore recommend you forward this briefing to the Minister of Climate Change and Associate Minister of Climate Change.