

[REDACTED]

15 March 2024

Dear [REDACTED]

Re: Official Information Act Request: Changes to Emissions Reduction Plan Two

Thank you for your email on Friday 16 February 2024 in which you requested information under the Official Information Act 1982, on behalf of [REDACTED] You requested:

I am interested in recent, upcoming and proposed changes to the implantation of actions under the existing Emissions Reduction plan, for which the EECA is the lead.

Specifically, I am interested in changes made or proposed since October 2023, which have already been implemented, or which might or will be implemented while the first Emissions Reduction Plan is still in place.

I am primarily interested in changes which will have a significant impact, positive or negative, in terms of green house gas emissions.

Please provide information relating to such changes, or proposed changes, such as discussion documents, policy proposals, or decision documents (including policy analysis, internal briefings to EECA leadership, Ministerial documents and Cabinet documents).

Please focus on each of the actions for which the EECA is listed as a lead, as set out in the document entitled 'Aotearoa New Zealand's first emissions reduction plan: Table of Actions', located here: <https://environment.govt.nz/assets/publications/Files/Aotearoa-New-Zealands-first-emissions-reduction-plan-Table-of-actions.pdf>

To explain what I mean (by picking one of the first listed actions), you might let me know if, for example, if the proposal to provide funding to support the freight sector to purchase zero- and low-emissions trucks changed significantly.

I realise that the EECA is responsible for many actions. I am only focusing on those which are or may be changing direction during the period when this plan is active.

Appendix One (at the end of this letter) provides an overview of the ERP actions that EECA leads that have had changes confirmed by the Government since October 2023. Four actions related to the Government Investment in Decarbonising Industry (GIDI) Fund have stopped as the funding has been discontinued.

Appendix Two and **Three** (attached as PDFs) provide the information relating to such changes.

Some information is being withheld pursuant to the following sections of the Act:

- 9(2)(b)(ii) - to protect information where making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or is subject to the information.
- 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions.
- 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials.
- Out of scope.

You should note that as EECA is a Crown Entity and primarily a delivery agency, significant policy decisions (including changes to delivery of ERP actions) are generally led by our monitoring agency, MBIE, and therefore any decision documents will be held by this agency. In response to your request, we have provided information held by EECA relating to these decisions.

Also note that the Climate Change Chief Executives Board regularly publishes ERP reporting on their website - [Climate Change Chief Executives Board released material | Ministry for the Environment](#)

A key role of the Climate Change Chief Executives Board is to report on the delivery of actions in the emissions reduction plan and the national adaptation plan. In these reports, the Board provides collective advice on risks and opportunities to delivering on these plans and how we are tracking against our climate goals and targets. Future reports will be produced on a quarterly cadence and proactively released once they have been considered by Ministers.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Please note that it is our policy to proactively release our responses to official information requests where possible. Our response to your request will be published shortly at <https://www.eeca.govt.nz/about/news-and-corporate/official-information/> with your personal information removed.

Yours sincerely



Dr Marcos Pelenur
EECA Chief Executive

Appendix One: EECA's affected ERP actions

The Energy Efficiency and Conservation Authority (EECA) is the lead agency for several actions under the first emissions reduction plan. Out of the actions we lead, (and as at the date of receiving your request), we have received direction on changes to the following actions:

Energy and industry (Chapter 11), focus area 1: Use energy efficiently and manage demand for energy				
Action for delivery	Proposed outputs	Timeline	Lead	Key Stakeholders/partnerships
Provide rebates for energy efficient equipment.	Rebates for all businesses, including smaller businesses, farms and factories, to procure and install approved high efficiency electrical equipment for industrial uses.	2022–28	MBIE/EECA	Businesses including SMEs, energy service providers
Energy and industry (Chapter 11), focus area 4: Reduce emissions and energy use in industry, action 11.4.1: Decarbonise Aotearoa Industries				
Action for delivery	Proposed outputs	Timeline	Lead	Key Stakeholders/partnerships
Continue the roll out of the Government Investment in Decarbonising Industry (GIDI) fund.	Grants for businesses to implement projects to decarbonise the use of industrial process heat through fuel switching and energy efficiency improvements.	2021–22	MBIE/EECA	Industrial firms, businesses, large energy users

<p>Fund further decarbonisation of industry and heat through expansion of the GIDI.</p>	<p>Funding for:</p> <ul style="list-style-type: none"> – high-impact process heat decarbonisation projects, with adapted criteria to fund larger and longer projects – using regional energy transition plans to inform investment and optimise options for fuel switching at a regional level – additional electricity network connections and distribution network upgrades to unlock and/or accelerate fuel-switching for multiple process heat users – more technology diffusion projects. 	<p>2022–29</p>	<p>MBIE/EECA</p>	<p>Industrial firms, businesses, large energy users, energy service providers, Transpower, electricity lines businesses</p>
<p>Provide grant funding for commercial space and water heating and high efficiency electrical equipment.</p>	<p>Grants or rebates for commercial buildings to replace fossil fuel boilers for space or water heating with low-emissions alternatives (primarily electric heat pumps).</p>	<p>2022–26</p>	<p>MBIE/EECA</p>	<p>Energy service providers, equipment vendors, commercial building owners, businesses</p>

The above four actions are related to the Government Investment in Decarbonising Industry (GIDI) Fund, which has been discontinued. Please refer to **Appendix Two** for information regarding the fund.

Information regarding any changes to the delivery of other ERP actions that are being considered by the Government is withheld under 9(2)(f)(iv).

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1. EECA 2023-24 First Quarter Report (1 July to 30 September 2023)

Section Title: Key Developments in the first quarter

Pages: 6-7

Government Investment in Decarbonising Industry (GIDI) Fund

This fund supports energy efficiency and the switch from fossil fuels to cleaner renewable energy sources across the industrial and commercial sectors. The partnership approach helps by getting decarbonisation projects across the line and happening faster than they otherwise would, delivering larger and earlier emissions reductions.

12. Note we have a number of live applications in train, but do not intend to enter into any new contractual GIDI commitments over the caretaker period.
- 16 13. An ‘always on’ funding approach for the GIDI Industrial went live on 1 July. The always-on funding approach replaces the previous contestable funding round model. This approach aims to give more certainty to businesses planning their decarbonisation projects and reduce the application process timeline. In the first quarter, we received 23 project applications requesting \$33.4 million of co-funding (matched by \$101.6 million in applicant funding). Four of these applications have been contracted.
- 17 14. Two GIDI Partnerships with large emitters are progressing well. The partnership agreement with NZ Steel for an electric arc furnace went unconditional on 7 September 2023 after a feasibility study was completed. A partnership agreement with Fonterra was executed on 19 July 2023 which will see a series of energy efficiency and decarbonisation projects supported up to \$90 million. The first agreed project is a heat recovery project at its Clandeboye site which will be supported by \$1.7 million of co-funding 9(2)(b)(ii) 9(2)(b)(ii). The project is expected to reduce the site’s emissions by 3,030 tonnes per year.
15. A GIDI Commercial Buildings programme for space and water heating launched in early July 2023. This programme offers co-funding to replace fossil fuel boilers in commercial buildings and has a similar

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co-funding model to the GIDI Industrial programme. We have received twelve applications from businesses including hotels, stadiums, and retirement villages, with more in the pipeline. One project has been contracted and \$892,000 of EECA funding has been committed to St. George's Hospital. The remaining applications will not be contracted until we receive direction from the new Government.

16. **A GIDI Clean Tech programme for hot water heat pumps launched in July 2023.** Clean Tech focuses on small, less complex but prevalent technologies and processes. Under the Clean Tech programme, the hot water heat pump workstream supports air-to-water heat pump hot water systems above 15kW (with a total project cost of up to \$150,000). A panel of suppliers have built a pipeline of applications, with one project contracted and two co-funding offers with customers for consideration. No further applications will be contracted without approval from a new Minister. In addition to hot water heat pumps, this quarter we completed a pilot programme for commercial lighting and started a pilot for electric motor systems.
17. **Respondents to the GIDI Infrastructure biomass registration of interest (ROI) respondents have been shortlisted.** Last quarter, we ran an ROI for the procurement of projects to increase the harvest and or production of biomass residue and boiler-ready fuel in the South Island. This quarter, shortlisted respondents have been invited to participate in a Request for Proposal (RFP) for a GIDI Infrastructure Biomass Supply Chain Investment Fund. This process is now on hold, with finalisation of RFP documentation subject to direction from the incoming Government.

Section Title: Output performance

Pages: 12-13

Strategic priority	Programme	Performance measure	Target	Description	Status
Productive and low-emissions business					
Accelerate the transition	Government Investment in Decarbonising Industry (GIDI) Fund	Estimated emissions reductions achieved by GIDI 1.0 and GIDI 2.0 projects during the financial year ¹	210,000 tonnes of CO2e	<p>✓ 37,340 tonnes of CO2e reductions are estimated to have been achieved in first quarter by GIDI 1.0 and GIDI 2.0 projects.</p> <ul style="list-style-type: none"> Contracted GIDI Industrial projects are estimated to have achieved 37,340 tonnes of CO2e so far in 2023/24. 	On track

¹ Note GIDI 1.0 is the original \$69 million contestable fund that launched in 2020 and GIDI 2.0 is the expanded fund that was supported in Budget 2022.

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Accelerate the transition	Government Investment in Decarbonising Industry (GIDI) Fund	Forecast emissions reductions expected to be achieved by GIDI 2.0 projects contracted to date during Emissions Budget Period One (2022-2025)	170,000 tonnes of CO2e	<p>✓ 119,092 tonnes of CO2e reductions are forecast to be achieved by GIDI 2.0 projects during emissions Budget Period One (EB1).</p> <ul style="list-style-type: none"> Contracted GIDI Industrial 2.0 projects are expected to achieve 115,518 tonnes of CO2e in EB1. Contracted GIDI Partnerships projects are expected to achieve 3,300 tonnes of CO2e in EB1. Contracted GIDI Clean Tech projects are expected to achieve 274 tonnes of CO2e in EB1. 	On track
Accelerate the transition	Government Investment in Decarbonising Industry (GIDI) Fund	Forecast emissions reductions expected to be achieved by GIDI 2.0 projects contracted to date during Emissions Budget Period Two (2026-2030)	5,000,000 tonnes of CO2e	<p>✓ 5,375,004 tonnes of CO2e reductions are forecast to be achieved by GIDI 2.0 projects during emissions Budget Period Two (EB2).</p> <ul style="list-style-type: none"> GIDI Industrial 2.0 projects are expected to achieve 534,500 tCO2e in EB2. Contracted GIDI Partnerships projects are expected to achieve 4,840,000 tCO2e in EB2. Contracted GIDI Clean Tech projects are expected to achieve 504 tCO2e in EB2. 	On track

Section Title: Audit, risk and governance

Pages: 18-19

External audit

33. Audit New Zealand completed its interim audit in June 2023. There were no new findings or recommendations to report. The final audit is scheduled for completion in late October 2023.

Risk management

34. EECA’s risk management framework considers strategic and operational risks. Our risk register is reviewed and updated on an ongoing basis. The Board reviews key strategic and operational risks on a quarterly basis. The most significant risks being focused on at EECA are outlined in the table below:

Strategic focus area	Risk ²	Mitigations
Productive and low emissions business	Low uptake of the GIDI Fund (including the Clean Tech scheme)	<ul style="list-style-type: none"> Continue active pipeline development. Ensure product design is market driven and designed to balance strategic outcomes and ease of uptake. Continue to refine and implement our market communication plans. Retain flexibility to refine scope and focus of subsequent funding opportunities offered by EECA. Develop and implement Clean Tech as an organisation priority. Lean into market research to validate hypotheses and test concepts/ plus strong evaluation.

(Continued on the next page..)

GIDI does not deliver on the emission reduction targets

- Two significant GIDI Partnerships have boosted abatement numbers.
- Regularly review reduction targets and manage expectations early.
- The design and criteria will ensure value for money is optimised.

² Colour reflects risk rating after mitigations.

EECA

- Design and implementation will proceed at pace to unlock the earliest abatement outcomes.
- Engagement and communications plan.

2. EECA BIM Dec 23

Section Title: Energy emission savings to meet our international obligations and improve competitiveness

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If the Government wishes for EECA to continue to use a co-funding model, we can achieve a relatively cheap cost to government of emissions reductions by scaling our investment. Our Government Investment in Decarbonising Industry (GIDI) process used an open book application process to assess the minimum financial support needed to bring the cost to business (which is much higher) within reach and get the investment across the line. Our average co-funding percentage under the GIDI model was around 31% of capital expenditure across all projects.

Section Title: Current activity that we would like to discuss with you

Page: 11

1. We note the Government's signal that businesses should reduce emissions without expecting direct financial support, and your tax plan indicated that a portion of GIDI funding should be reprioritised. We would welcome a conversation with you around the Government's **preferred policy levers to impact industrial decarbonisation**. Our existing programme infrastructure and developed relationships with industry mean we are well-placed to support new approaches that align with your priorities.

Section Title: Early Decisions required: Tactical items that require an early decision or engagement

Page: 12

Item and description	Action sought
<p>2. Pending decisions on uncontracted projects</p> <p>Over the caretaker period and following Cabinet Office guidance, we paused our processing of existing applications for funding through the GIDI.</p>	<p>We are seeking an early decision from you on how to proceed with a small number of projects where processing is underway, but currently paused.</p>

Section Title: Early Decisions required: Decisions required to set strategic policy direction

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Item and description	Action sought
<p>6. Advice on industrial decarbonisation and the GIDI Fund</p> <p>The Government has signalled its intention to reprioritise the GIDI fund. Alongside MBIE, we have prepared analysis of the resultant impact on emissions budgets, as well as possible options for continuing momentum in industrial renewable energy use.</p>	<p>Alongside MBIE, we expect to brief you on opportunities to further decarbonise industry, in keeping with your stated priorities.</p>

3. EECA's Fortnightly Report to the Minister for Energy: 13 December 2023

Section Title: Advice provided on Government Investment in Decarbonising Industry (GIDI) funding

Page: 3

Advice provided on Government Investment in Decarbonising Industry (GIDI) funding

EECA has supported MBIE to prepare advice on options to redirect unallocated GIDI funding, as part of the Government's wider reprioritisation process.

We would welcome a conversation with you on how to proceed with a small number of outstanding applications that were received prior to the General Election, but where assessment and contracting was paused over the caretaker period.

4. 20231212 - Overview of EECA and MBIE's current work programmes and opportunities

Section Title: Recommended actions

Page: 3

2. Note MBIE provided you advice on reprioritising funding from GIDI and will provide further advice for options on industrial decarbonisation in January 2024.

Section Title: Funding programmes: business/industry

Page: 8-9

Government Investment in Decarbonising Industry (EECA)

19. The GIDI fund provides co-funding to for energy efficiency and fuel switching projects across the industrial and commercial sectors under five product offerings: Industrial, Partnerships, Clean Technology, Commercial Buildings, Supply Infrastructure.

	(\$ million)						Outyears? Y/N
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
Budget 2022 GIDI (CERF funded)	80.568	247.677	263.127	240.008	113.634	26.066	N

Next steps:

- MBIE has provided you with advice on reprioritising funding from GIDI and will provide further advice for options on industrial decarbonisation in January 2024.

Item One: Excerpts

Section Title: Appendix One: Energy portfolio co-funding programmes

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Business	Government Investment in Decarbonising Industry (GIDI) <i>Administered by EECA</i>	Co-funding to for energy efficiency and fuel switching projects across the industrial and commercial sectors under five product offerings: Industrial, Partnerships, Clean Technology, Commercial Buildings, Supply Infrastructure.	2023/24: \$80.568m (CERF) Total B22: \$971.080m (CERF)	<ul style="list-style-type: none">MBIE has provided you with advice on reprioritising funding from GIDI and will provide further advice for options on industrial decarbonisation in January 2024.
	Out of Scope			

Item One: Excerpts

Document Title: Key policy initiatives – October 2023 (EECA additions)

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Portfolio	Initiative <i>(title and description)</i>	State of play and risks <i>(two – three sentences on the situation right now)</i>	Milestones [Q3 July – Sept 2023]	Milestones [Q4 Oct – Dec 2023]	Milestones [Q1 Jan – Mar 2024]	Completion Date
	Out of Scope					
Energy & Resources	<p>Government Investment to Decarbonise Industry (GIDI)</p> <p>Rolling out GIDI including:</p> <ul style="list-style-type: none"> Negotiation of bespoke agreements for significant decarbonisation initiatives. Consideration of how to increase GIDI's impact on emissions. <p>Key contact: Daniel Brown</p>	<ul style="list-style-type: none"> GIDI round 5 funding (\$33m across 17 users) was announced on 12 August 2023. Ongoing work to progress the conditional partnership with NZ Steel and implement the Fonterra partnership. <p>Key risks include:</p> <ul style="list-style-type: none"> GIDI is unlikely to meet its forecast contribution to Emissions Budget 1. <ul style="list-style-type: none"> This risk was discussed with you on 2 May 2023 We are working with EECA to identify options to accelerate emissions reductions, both from adjusting the GIDI settings and making other policy and operational changes. 	<ul style="list-style-type: none"> From 1 July 2023, applicants can apply for GIDI funding anytime, rather than waiting for a contestable round. 	<ul style="list-style-type: none"> Ongoing consideration of GIDI large scale applications. 	<ul style="list-style-type: none"> Ongoing consideration of GIDI large scale applications. 	<ul style="list-style-type: none"> Completion dates vary for different GIDI projects.

Indicative breakdown of funding across GIDI workstreams (\$millions):

GIDI	Allocated	Committed	Pending Applications	Remaining (Allocated - Committed - Pending)
Partnerships	230	230	0	0
Industrial	250	60	23	167
Commercial Buildings	40	0.9	3.4	35.7
Clean Tech	330	2.4	0	327.6
Infrastructure	90	0	0	90
Total	940	293.3	26.4	620.3

* Note that figures above relate to GIDI grant funding components only and do not include associated OPEX.

General comments at this stage – we will provide more fulsome direct comment on the next version of the briefing that is circulated.

- 9(2)(g)(i) [Redacted]
- Note that the total grant funding equalled \$970m. This is total grant amount in the GIDI 2.0 MYA, with the balance being departmental OPEX.
- We note that under GIDI Infrastructure, while there are no pending applications, EECA is aware of around \$20m in biomass supply projects which were successful in our initial ROI process – the next stage would be to request proposals, subject to Minister’s direction and this will be covered in EECA’s BIM.
- Suggest change the \$650 million in uncommitted to \$646 million throughout, as per the table above.
- 9(2)(g)(i) [Redacted]

Table of pending applications received by 13 Oct

- Summary:
 - o 27 Applications across Industrial and Commercial Buildings.
 - o \$26 million total requested.

GIDI Programme	Application & amount sought	Abatement tCO2 Lifetime & annual in brackets) (From applicant FAT)	Status as at 13/10/23
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9(2)(b)(ii)

9(2)(b)(ii)

Total Funding requested	\$26,179,443
Total Estimated Lifetime abatement tonnes CO2	595,692
Total Estimated Annual abatement tonnes CO2	35,082