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Annual Report 2017/18

Mobilising New Zealanders to be world leaders in clean and clever energy use

Energy Efficiency and Conservation Authority
Te Tari Tiaki Pūngao

New Zealand Government

2017/18 highlights

$81 million

Our programmes have saved 1.7 PJ of energy this year, helping reduce New Zealand's energy spend by a total of $81 million

1/4

We partner with businesses that use almost a quarter of the energy used in New Zealand

142,000

Our electric vehicle portal was visited over 142,000 times this year

$6.54 million

We ran two rounds of the Low Emission Vehicles Contestable Fund this year, committing co-funding of $6.54 million to projects costing a total of $20.35 million

93%

We are fast tracking the uptake of low-emissions vehicles in New Zealand, and 13 of the 14 projects we funded last year are already operational

15,800

We helped keep New Zealanders warm and healthy by funding 15,800 insulation retrofits through our Warm Up New Zealand: Healthy Homes Programme

80,000

Our programmes have contributed to additional annual emissions reductions of 80,000 tonnes CO_2e

1,300

We supported 111 electric vehicle community events this year that saw over 1,300 people get behind the wheel and test drive an electric vehicle

$28.3 million

We work to further develop product energy performance standards and labelling, helping New Zealand save $28.3 million this year

Contents

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Board's foreword

There is momentum building in our operating environment, as the world and New Zealand recognises the need to urgently respond to the impacts of climate change through ongoing mitigation and adaptation.

The Government is dedicated to driving climate change policy and related actions towards a low-emissions and climate-resilient economy, and delivering on our nation's commitments under the Paris Agreement. It will introduce a Zero Carbon Bill that will specify how targets are set to help meet the objectives of net zero emissions by 2050. The Government has also established the Interim Climate Change Committee to consider issues related to the Emissions Trading Scheme and the transition to a low carbon economy.

With 40% of our country's greenhouse gas emissions currently coming from the energy sector, there is an integral role for EECA to play in supporting the transition and improving our energy productivity. This is a significant challenge. New Zealand has committed to a target of reducing emissions by 30% below 2005 levels by 2030. Improved energy management practices and changes in the current mix of available technologies, in themselves, may not be sufficient for the energy sector to effectively contribute to achieving this target. We need to keep exploring other policies and initiatives wherever they come from.

To ensure EECA is best positioned to make the maximum difference, the Board commissioned a Performance Improvement Framework review, the findings of which identified the required improvements and areas of focus. The review was timely, as we had started work on a revised strategy for EECA, and it helped consolidate a picture of where we have been, the challenges we need to address, and what success will look like in four years. The actions required are now being progressed.

Our new strategy was launched in May 2018 alongside our new Statement of Intent (2018-2022), which clearly articulates our refreshed purpose to 'mobilise New Zealanders to be world leaders in clean and clever energy use.'

It has been a successful and invigorating year for EECA. We are excited as we begin to implement our new strategy and continue delivering outcomes for a sustainable energy system that supports the prosperity and wellbeing of current and future generations. The Board would like to take this opportunity to thank Janet Carson, who retired from the Board in December 2017, for her commitment and input to EECA over the past six years.

Statement of responsibility

In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of EECA's financial statements and the Statement of Performance and for the judgements made in them. We are responsible for any end-of-year performance information provided by EECA under section 19A of the Public Finance Act 1989.

EECA's Board has responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, this Statement of Performance and these financial statements fairly reflect EECA's operations and financial position for the year ended 30 June 2018.

Tom Campbell
Chair of EECA
5 September 2018

Catherine Taylor
Deputy Chair and Chair of the Risk and Audit Committee
5 September 2018

Chief Executive's overview

The role of EECA has never been more important as the New Zealand economy invests further resources and effort to improve energy efficiency and the use of renewable sources of energy.

This view is now enshrined in our newly adopted purpose to mobilise New Zealanders to be world leaders in clean and clever energy use. The increasingly evident change in our climate is driving the need for greater urgency to reduce greenhouse gas emissions from all parts of our daily lives. This transition will be one of the most significant and vital transformations for human society.

Over the past year EECA programmes have saved 1.7 PJs of energy which is the equivalent of the power required to supply almost 50,000 households in a year. These programmes have also reduced 80,000 tonnes of CO_2e emissions or the equivalent of removing almost 35,000 vehicles from our roads.

While electricity efficiency continues to be a key focus for EECA, 2017/18 was the first year we had access to new levy funding sources. This allowed us to deepen our focus on the parts of the energy sector, including transport and process heat, where the greatest opportunities exist for reducing emissions. We continued to work with the largest energy using businesses in our economy that collectively use nearly a quarter of New Zealand's total energy. These ongoing partnerships are fundamental to EECA and we extend our appreciation to all collaboration partners.

The conversion of the light vehicle fleet to electric vehicles is also key if New Zealand is to successfully transition to a low emission economy. Over the past year we have continued to inform the public on the benefits of electric vehicles and it is encouraging to see the continuing increase of registered electric vehicles in New Zealand. We also delivered two rounds of the Low-Emission Vehicles Contestable Fund this year, committing $6.54 million to innovative projects collectively worth $20.35 million.

The Warm Up New Zealand programme concluded on 30 June 2018 and we welcomed the Government's announcement in May of further investment in New Zealand's housing stock with the Warmer Kiwi Homes programme. This new insulation and heating programme will focus on low income households who are in most need of government support for a warm, dry home.

Our financial results for the year show a healthy surplus, which is due to a combination of prudent expenditure and an accumulation of outstanding funding commitments. We are actively working to reduce the levels of these commitments and see more initiatives underway at the earliest opportunity.

Considerable thought and effort went into the review of the Statement of Intent, which is now our key reference document as we play our active part in transitioning the New Zealand economy to a net zero emission economy.

I would like to extend my appreciation to the Board and all members of the EECA team who have worked tirelessly throughout the year to deliver the results outlined in this report. I would also like to extend my thanks to Senior Executives Liz Yeaman, Robert Linterman and Greg Visser, who left during the year, for the considerable contributions they each made to EECA.

The past year has seen the establishment of a strong foundation for EECA to deliver even greater benefits in the future and in 2018/19 I am confident these will become increasingly evident.

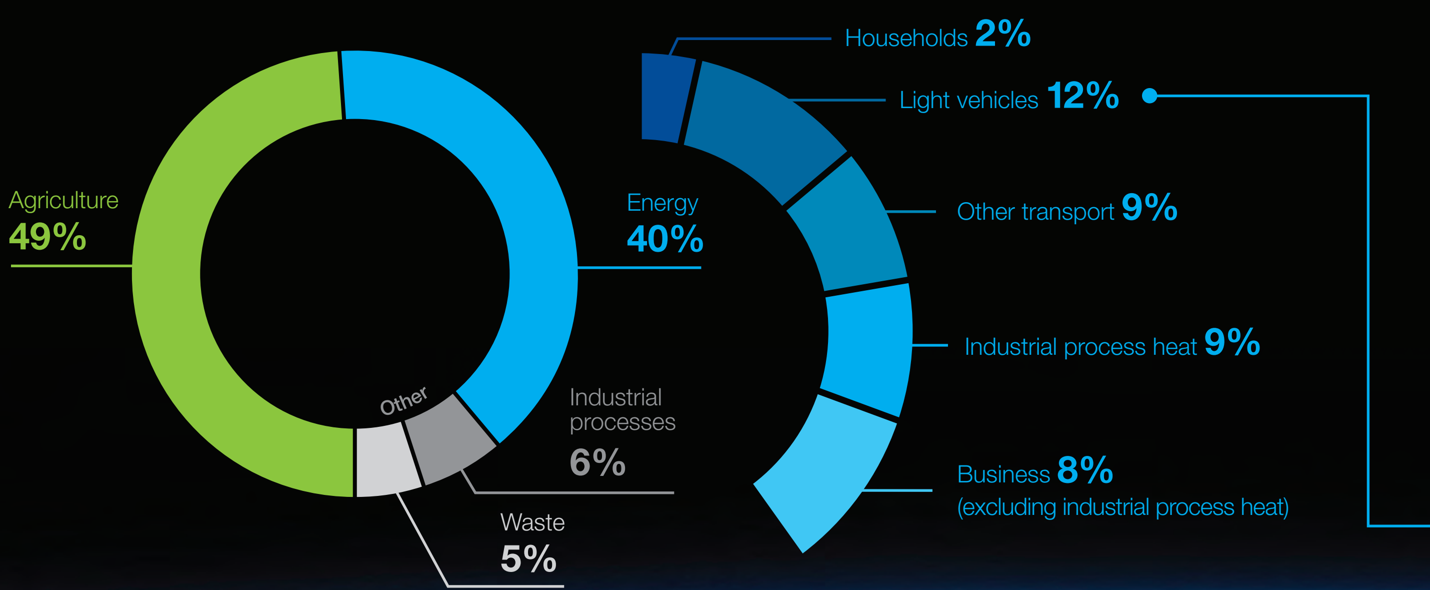
Andrew Caseley
Chief Executive
5 September 2018

The energy system

The need for urgent action on climate change and increasingly ambitious emissions reduction targets is being recognised across the world. New Zealand is committed to reducing its emissions by 30% below 2005 levels by 2030, as signatory to the Paris Agreement. Later this year, the Government will introduce a Zero Carbon Bill that will define a goal of transitioning to a net zero economy by 2050. There is an opportunity for the energy sector to contribute to achieving these targets. However, while our electricity system is largely decarbonised, the energy sector as a whole is mostly non-renewable.

New Zealand's greenhouse gas emissions

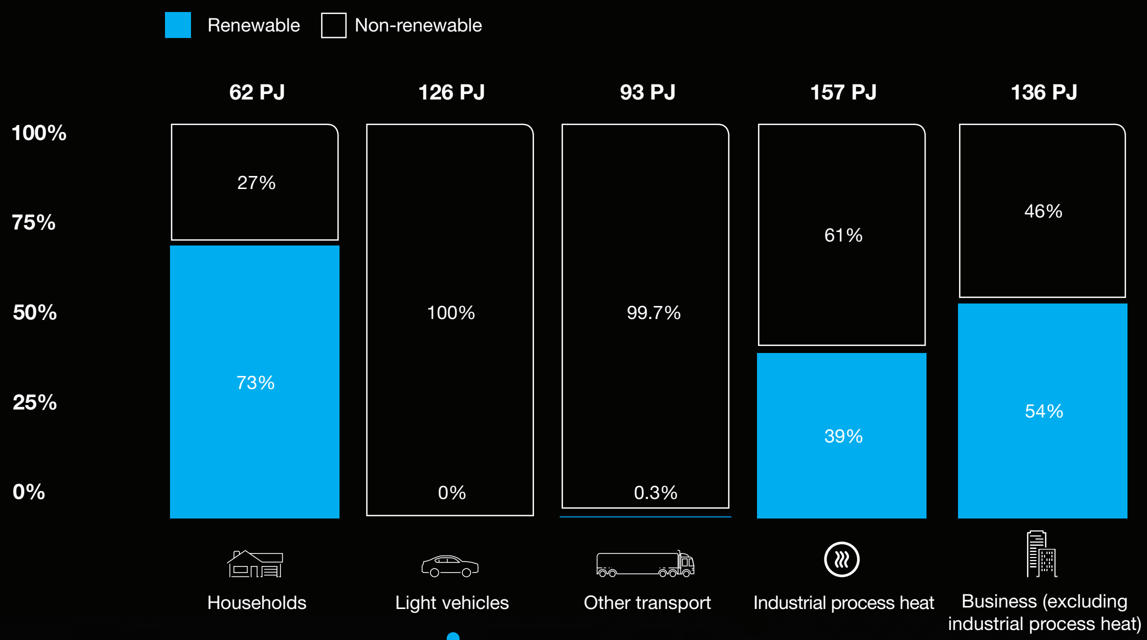
40% of New Zealand's greenhouse gas emissions come from the energy sector.



Source: New Zealand's Greenhouse Gas Inventory 1990-2016, Ministry for the Environment (2018), and the Energy End Use Database 2016, EECA (2018).

Energy use in New Zealand

The greatest opportunities for improving the use of renewable energy are in the transport and process heat sectors.



As of 30 June 2018, there were almost

8,700

electric light vehicles registered in New Zealand. Four years ago, there were only 250.

Source: Energy End Use Database 2016, EECA (2018).

Our role

EECA is a Crown entity established under the Energy Efficiency and Conservation Act 2000 to encourage, promote and support energy efficiency, energy conservation and the use of renewable sources of energy. Our desired outcome is for New Zealand to have a sustainable energy system that supports the prosperity and wellbeing of current and future generations. We are working towards this by mobilising New Zealanders to be world leaders in clean and clever energy use.

We improve the use of sustainable energy across the economy through a combination of direct interventions, such as regulation and funding provision, and influence, such as marketing, behaviour change and expert advice.

We continually evaluate our environment to identify existing and emerging trends, challenges and opportunities. This allows us to be ready to respond, achieve our intended outcomes sustainably and deliver value for all New Zealanders. Our work programme is guided by the New Zealand Energy Efficiency and Conservation Strategy 2017–2022 (NZEECS).

Our Board

EECA is governed by a Board of up to eight members with experience in energy, commerce, local government and the public sector. The Board reports to the Minister of Energy and Resources, and its members are appointed by the Minister. The Ministry of Business, Innovation and Employment is responsible for monitoring EECA's performance and advising the Minister on matters relating to EECA.

Board members usually hold office for a term of three years and may be reappointed. The Board meets on a monthly basis and has established two committees: the Risk and Audit Committee and the Remuneration Committee.

The Board provides the leadership and governance for EECA's health and safety. This is a fundamental part of EECA's overall risk management function. EECA has an established health and safety management system and is fully compliant with the Health and Safety at Work Act (2015).

From left to right: Karen Sherry (appointed February 2017), David Coull (re-appointed February 2017), Catherine Taylor (Deputy Chair of EECA and Chair of the Risk and Audit Committee, appointed February 2017), Tom Campbell (Chair of EECA, re-appointed February 2016), Phil Heatley (appointed February 2016), Elena Trout (re-appointed February 2016).

Our 2017/18 outcomes framework

Appropriation	Output classes	EECA strategies
Crown Energy Efficiency	Productive lower carbon businesses	Working with the public sector to demonstrate leadership by adopting greater energy efficiency and renewable energy products and services
Energy Efficiency and Conservation • Crown funding • Electricity Levy funding • Petroleum Levy funding • Gas Levy funding	Productive lower carbon businesses	Partnering with large energy-using businesses to make energy efficient and renewable energy investments and adopt best practice energy management
		Targeting process heat users to encourage efficient use of process heat and the use of renewable fuel sources
	Efficient commercial buildings	Working with the commercial building sector to improve the energy performance of new and existing buildings, particularly those owned and/or occupied by the public sector
	Increase electric vehicles in New Zealand	Reducing the barriers to uptake of low-emissions vehicle technologies
	Improve fuel economy of light fleet	Influencing consumer behaviour in vehicle choice, efficient driving and using alternative fuels through the provision of information
		Helping consumers choose fuel efficient vehicles by requiring fuel economy labelling
	Innovative and efficient household energy use	Encouraging innovation and improving the energy efficiency of appliances through developing and optimising mandatory product standards and energy efficiency labelling
		Helping consumers use energy better by providing well-evidenced, accessible advice
Home Insulation Implementation of the Home Insulation Programme	Improved thermal envelope	Improving heat retention of homes by providing and leveraging funding to support insulation retrofits to avoid ill health and lost productivity

The activities we delivered in 2017/18 help us to deliver the greatest net benefits to New Zealand from energy efficiency, energy conservation and energy use from renewable resources.

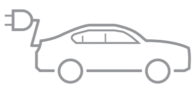
EECA's programmes

- Public sector initiatives
- Large Energy User Engagement
- Equipment Energy Efficiency (E3)
- NABERSNZ™ Commercial Building Performance Advice
- Low Emission Vehicles Contestable Fund
- Electric Vehicle Information Campaign
- Vehicle Fuel Economy Labelling
- Equipment Energy Efficiency (E3)
- ENERGYWISE™
- Warm Up New Zealand: Healthy Homes

EECA outcomes

Efficient, competitive and lower carbon businesses

Efficient, safe and lower carbon transport



Warm, dry, more energy efficient homes

EECA's goal

Deliver the greatest net benefits to New Zealand from energy efficiency, energy conservation and energy use from renewable resources

New Zealand Energy Efficiency and Conservation Strategy goal

New Zealand has an energy productive and low-emissions economy

New Zealand Energy Strategy goal

New Zealand makes the most of its abundant energy potential for the benefit of all New Zealanders

Business Growth Agenda goal

Improve energy efficiency and use of renewable energy to raise productivity, reduce carbon emissions and promote consumer choice

How we were funded and what we spent

In 2017/18, EECA received funding through four Energy and Resources appropriations under Vote Business, Science and Innovation. The amount of funding made available through the estimates and the amount EECA spent during the year is shown in Table 1 on the following page.

Energy Efficiency and Conservation

This appropriation provides the majority of EECA's funding and is intended to achieve improvements in energy efficiency, energy conservation and renewable energy. There are four components to this appropriation: Crown funding, Electricity Levy funding, Petroleum Levy funding and Gas Levy funding. This was the first year our levy funding included the Petroleum and Gas Levies in addition to the Electricity Levy. This greater flexibility has allowed us to focus on more carbon-intensive sectors such as process heat and transport.

In 2016, we carried out a consultation process to ask stakeholders and the public for their views about the use of the three levies for 2017/18. The programmes funded by the levies are described in this report, and a full report back to stakeholders will be provided in October 2018.

Home Insulation

This appropriation was used to provide subsidised insulation retrofits to households through our Warm Up New Zealand: Healthy Homes Programme to achieve energy savings and health benefits.

Implementation of the Home Insulation Programme

This appropriation was used to administer the Warm Up New Zealand: Healthy Homes insulation retrofit programme.

Crown Energy Efficiency

This appropriation was used to achieve the delivery of energy efficiency savings in the public sector.

Table 1:

The crown funding made available through the estimates and supplementary estimates compared with actual expenditure incurred in 2017/18.

	Estimates $000	Supplementary estimates $000	Actual $000	Difference vs supplementary estimates $000
Energy Efficiency and Conservation				
Crown funding	16,584	16,584	16,584	-
Electricity Levy funding	5,200	5,200	5,200	-
Gas Levy funding	1,300	1,300	1,160	140
Petroleum Levy funding	6,500	6,500	6,500	-
Total appropriation	**29,584**	**29,584**	**29,444**	**140**
Home Insulation 2017–2018 (Multi-year appropriation)				
Crown revenue – year ended 30 June 2017			2,728	
Crown revenue – year ended 30 June 2018	13,678	13,950	7,847	6,103
Cumulative funding to 30 June 2018			**10,575**	**6,103**
Remaining appropriation			6,103	(6,103)
Total appropriation			**16,678**	**-**
Implementation of the Home Insulation Programme				
Implementation of the Home Insulation Programme	**500**	**500**	**500**	**-**
Crown Energy Efficiency				
Capital appropriation	**2,000**	**2,000**	**1,672**	**328**

Table 2:

Expenditure for 2017/18 by output class

	Low carbon businesses $000	Commercial buildings $000	Electric vehicles $000	Light fleet $000	Household energy use $000	Thermal envelope $000	Actuals total $000	Budget total $000
Revenue								
Energy Efficiency and Conservation								
Crown funding	4,902	1,063	2,805	870	2,245	4,699	16,584	16,584
Electricity Levy funding	4,170	173	-	-	857	-	5,200	5,200
Gas Levy funding	1,160	-	-	-	-	-	1,160	1,300
Petroleum Levy funding	-	-	6,500	-	-	-	6,500	6,500
	10,232	1,236	9,305	870	3,102	4,699	29,444	29,584
Home Insulation	-	-	-	-	-	7,847	7,847	13,678
Implementation of Home Insulation Programme	-	-	-	-	-	500	500	500
Total appropriation revenue	**10,232**	**1,236**	**9,305**	**870**	**3,102**	**13,046**	**37,791**	**43,762**
Other revenue	706	-	-	-	-	412	1,118	933
Total revenue	**10,938**	**1,236**	**9,305**	**870**	**3,102**	**13,458**	**38,909**	**44,695**
Expenditure								
Financial and industry support expenses	5,350	-	4,973	-	-	6,446	16,769	25,168
Other operational expenses	6,939	1,236	2,761	870	3,102	5,308	20,217	21,647
Total expenditure	**12,289**	**1,236**	**7,734**	**870**	**3,102**	**11,754**	**36,986**	**46,825**
Surplus/(deficit)	**(1,351)**	**-**	**1,571**	**-**	**-**	**1,704**	**1,924**	**(2,130)**
Net surplus/(deficit) related to financial and industry support activities	(1,351)	-	1,571	-	-	1,401	1,621	(2,000)
Net surplus/(deficit) related to other operating activities	-	-	-	-	-	303	303	(130)
	(1,351)	**-**	**1,571**	**-**	**-**	**1,704**	**1,924**	**(2,130)**
Non-departmental capital expenses								
Crown Energy Efficiency	**1,740**	**-**	**-**	**-**	**-**	**-**	**1,740**	**2,000**

Statement of Performance

Kāore e kitea te pūngao, engari ka kitea te hua o te whakamahinga o te pūngao. Mā te pūngao e tupu ai, e huri ai, e neke ai, e wera ai rānei tētahi mea

Energy cannot be seen, but the results of using energy can. Energy is required for growth, change, movement and heat.

Te Reo Pūtaiao, He Kupenga Hao i te Reo (2009)

Across EECA

Our purpose is to mobilise New Zealanders to be world leaders in clean and clever energy use. We do this by helping New Zealanders increase their energy productivity and reduce their energy-related emissions.

To ensure we are on track, we measure the amount of energy our initiatives help save every year, as well as the reduction in energy-related emissions against business as usual. This year, we have only included the impact of our business programmes and the Equipment Energy Efficiency (E3) programme. Our other programmes, such as our insulation programmes and the electric vehicle programme, deliver multiple benefits that are measured in different ways, as outlined later in this section of the report.

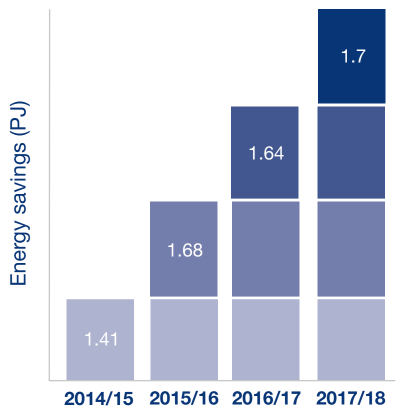
How we measure energy savings

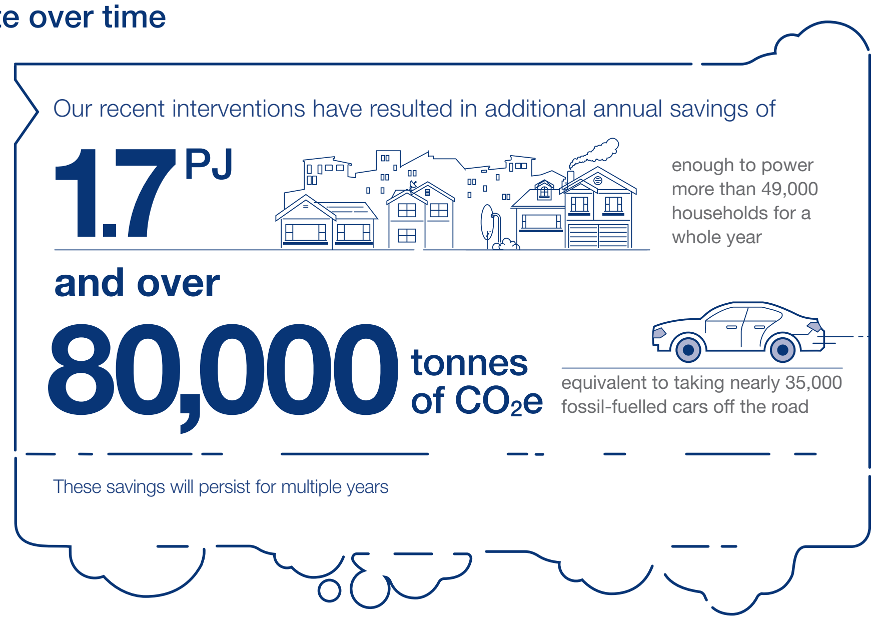
Our interventions to reduce energy use and/or carbon emissions often involve the installation of a technology or a process improvement that will produce savings against business as usual on an ongoing basis. We only report savings in the first year that have been achieved following our intervention, noting that the technology is expected to continue to save energy or reduce carbon emissions for many more years. We do not report these savings again in future years.

For example, switching a diesel boiler to a high-efficiency electric heat pump could save 2 GWh each year for 10 years (until the heat pump needs replacing). We report an annual energy saving of 2 GWh in the year the heating system is installed, not the 20 GWh that will be saved over the lifetime of that asset.

This year, our programmes saved 1.7 PJ and contributed to additional annual emissions reductions of 80,000 tCO_2e.

Annual savings accumulate over time





Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
Annual reduction in energy use from EECA programmes (against business as usual)	At least 1.2 PJ saved	1.65 PJ saved	At least 1.0 PJ saved[1] per annum	1.7 PJ saved per annum
Annual reduction in carbon emissions from EECA programmes (against business as usual)	New measure	New measure	At least 47,000 tonnes CO_2e per annum	80,000 tonnes CO_2e per annum

[1] Measure and target also in the Estimates of Appropriations

Efficient, competitive and lower carbon businesses

Image: EECA helps businesses motivate their staff and encourage them to take responsibility in important areas such as energy efficiency and sustainability. Energy is the largest single cost for our partner Refining NZ. It is working on projects such as monitoring its energy consumption, improving turbine efficiency and switching to LED lights, as well as engaging with its staff on additional energy management options.

Why this matters

Businesses use about 50% of New Zealand's energy, excluding transport, and generate more than 40% of our energy-related emissions.[2]

There are significant opportunities for businesses to increase their energy productivity and use of sustainable energy. Improving energy productivity and switching to sustainable energy has many benefits. These include direct benefits,such as lower energy costs and improved profitability, as well as a contribution to New Zealand's emissions reduction goals

[2] Energy End Use Database 2016, EECA (2018).

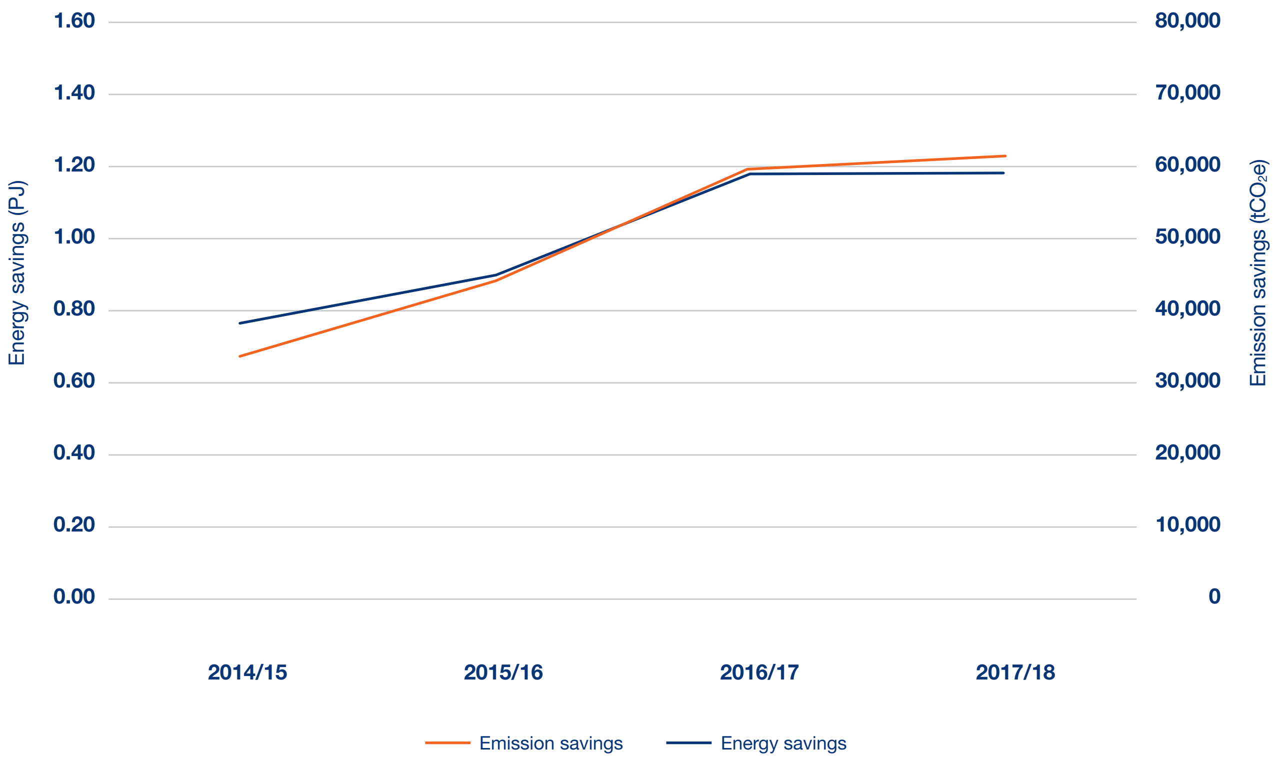
Output class: Productive lower carbon businesses

We partner with businesses to reduce the sector's impact on New Zealand's energy-related emissions and increase energy productivity. We are focused on achieving high-impact change, and while small firms face barriers to improving energy efficiency, the barriers facing large firms remain significant. Large emitters currently offer greater abatement opportunities at a lower transaction cost (e.g. the cost to EECA for engaging with these businesses).

What we are tracking to measure progress:

- **The annual increase in energy and energy-related emission reductions achieved by our business clients**
  This year, we co-invested $4 million in new projects with partner businesses and saw multi-year projects meet milestones to draw on EECA co-investment of $5.35 million. These business partnerships have resulted in an annual energy saving of 0.72 PJ and an annual emissions reduction of about 38,600 tCO_2e.
- **The annual reduction in energy use of commercial and industrial appliances sold throughout New Zealand**
  We aimed to reduce this by 5% from 2014 levels[3] by 30 June 2018. The Equipment Energy Efficiency (E3) programme alone has made steady progress on this and reduced the energy use of commercial and industrial appliances by 4%.

EECA's activities in the business sector save energy and emissions



[3] Excluding electricity used for industrial metals manufacture

What we achieved in 2017/18

1. Improving the energy efficiency of commercial and industrial products available in the market

Through the Equipment Energy Efficiency (E3) programme, we continue to partner with Australian federal and state governments to administer and further develop Minimum Energy Performance Standards (MEPS) and Mandatory Energy Performance Labelling (MEPL). This is to improve the adoption of efficient industrial and commercial products. In 2017/18, we focused on LED lighting, commercial refrigeration and non-domestic fans. As higher standards are introduced, we can measure the amount of energy saved from the more efficient products sold over the previous year. In 2017/18, we recorded energy savings of 125 GWh from efficient business products. This is a locked-in benefit that will accrue every year they are in use.

How we measured performance

Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
Savings from EECA's activities that are funded by the Electricity Levy (GWh, PJ per annum)	Electricity savings of 140 GWh per annum (0.5 PJ)	Electricity savings of 186 GWh per annum (0.67 PJ), comprising 107 GWh from efficient products and 79 GWh from business partnerships	Electricity savings of 96 GWh per annum (0.35 PJ), comprising 82 GWh from efficient products and 14 GWh[4] from business partnerships	Electricity savings of 207 GWh per annum (0.75 PJ), comprising 125 GWh from efficient products and 82 GWh from business partnerships

Image: Commercial refrigerators are found in restaurants, supermarkets and food manufacturing. EECA is leading a project to improve the minimum energy performance standards (MEPS) on commercial refrigeration products across New Zealand and Australia through the Equipment Energy Efficiency (E3) programme. This is forecast to save New Zealand over $110 million in avoided energy and emissions by 2035.

[4] This saving contributes to the target of 0.35 PJ per annum energy savings from large energy users (first measure on the opposite page).

2. Partnering with large energy-using businesses to make energy efficient and renewable energy investments and adopt best practice energy management

We have partnerships with businesses that use almost a quarter of the energy used in New Zealand and 52% of all large energy-using businesses have sought advice from EECA.[5] We are focused on leveraging private sector funding to achieve maximum energy and emissions reductions outcomes from these businesses and using them as examples of best practice.

In addition to working with large energy users and energy management experts in the market, we share best practice, case studies and lessons learned to influence others businesses to take action. EECA's business information campaign continued to build engagement on emissions and energy management, with over 300,000 sessions on the EECA, EECA Business and NABERSNZ[6] websites and over a million reached through print. The audience continues to grow, with targeted social media activity boosting EECA's online presence beyond our network and reaching business people in relevant sectors, job roles and industry groups. Our articles featuring case studies and videos achieved an average readership amongst relevant business people of 3,000 for each article. The campaign achieved 46% more web sessions to the EECA Business website than targeted and 35% higher engagement than targeted.

How we measured performance

Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
Energy savings from EECA's engagement with large energy users	0.3 PJ per annum delivered energy savings	0.78 PJ per annum delivered energy saving	0.35 PJ per annum delivered energy savings[7]	0.72 PJ per annum delivered energy savings ✓
Gas savings (GWh, PJ) per annum[7]	New measure for gas savings	New measure for gas savings	Gas savings of 30 GWh per annum (0.11 PJ) from business partnerships	Gas savings of 75 GWh per annum (0.27 PJ) from business partnerships[8] ✓
The number of visits to the EECA, EECA Business and NABERSNZ websites	0.3 million visits to the EECA, EECA Business and NABERSNZ websites	0.305 million visits	0.3 million visits to the EECA, EECA Business and NABERSNZ websites	0.317 million visits ✓

[5] Since 2014 against a target of 20%.

[6] NABERSNZ is a system for rating the energy efficiency of office buildings to allow businesses to compare their energy performance and identify changes over time. The scheme is adapted from the National Australian Building Energy Rating Scheme (NABERS), licensed to EECA and administered by the New Zealand Green Building Council.

[7] Measure and target also in the Estimates of Appropriations.

[8] These savings have been generated from projects initiated in previous years. Projects funded by the Gas Levy this year will generate savings in future years.

3. Targeting process heat users to encourage efficient use of process heat and the use of renewable fuel sources

Process heat is energy used for commercial and industrial processes, manufacturing and heating. For example, meat and dairy processors use steam from boilers to sanitise equipment and process raw products, such as turning milk into powder.

Process heat use represents the most significant stationary energy opportunity for improved energy productivity and emissions reductions from the use of sustainable energy in the business sector. We estimate that 75% of business emissions are from fossil fuel use for process heat, compared with only 25% from electricity.

This year, we initiated a Process Heat in New Zealand (PHiNZ) work programme with the Ministry of Business, Innovation and Employment (MBIE). The key outcome of PHiNZ is a government action plan that will set out a package of policies and programmes to reduce emissions from process heat. The action plan's objectives are to:

- improve the energy efficiency and process design of existing plant
- encourage switching to lower-emissions energy sources and adoption of emissions reducing technologies and processes
- encourage the use and manufacture of products that require less process heat (or fossil fuel) to manufacture.

MBIE and EECA will continue with the PHiNZ work programme, which will include engagement and consultation with stakeholders in 2018/19.

Wood Energy South

In 2014, we wanted an additional 0.03 PJ of renewable heat energy to be installed by 2018. While we have run several initiatives since 2014 that have contributed to this target, the Wood Energy South pilot programme alone has exceeded this target by switching 0.28 PJ to renewable sources.

From June 2014 to June 2017, we worked with Venture Southland to support Southland businesses in switching their heating fuel sources from fossils fuels to wood. Because of the long time it takes to commission and install wood boilers, we have continued to monitor progress throughout 2017/18 and can report that businesses have avoided annual emissions of 8,300 tCO_2e due to switching to renewable heating sources.

How we measured performance

Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
The amount of emissions avoided through the Wood Energy South project	3,000 tonnes CO_2e per annum from EECA's activities in 2015/16	1,530 tonnes CO_2e per annum from EECA's activities in 2015/16	8,000 tonnes CO_2e per annum[9]	8,300 tonnes CO_2e per annum since the pilot began in 2014

[9] Since the pilot project started in 2014/15. Savings reported in 2017/18 result from EECA's activities in the last year of the pilot (2016/17).

4. Working with the public sector to demonstrate leadership by adopting greater energy efficiency and renewable energy products and services

We provide interest-free loans to publicly funded organisations for energy efficiency and renewable energy projects. This year, we loaned a total of $1.7 million across five projects. These were to Auckland District Health Board to upgrade its car park lighting, Auckland University of Technology to upgrade its chillers, two schools to implement solar water heating and one school to upgrade to more efficient lighting. These projects will save these public organisations over $331,000 each year in energy and maintenance costs.

Our aim is for funded projects to generate sufficient cost savings to allow the loans to be repaid within five years. This means the annual cost savings must be more than 20% of the capital cost of the projects, and our preference is at least half of the savings come from reduced energy costs. Across the portfolio, the energy savings objective was met. The Auckland District Health Board project will have a longer payback period but it met the investment criteria.

How we measured performance

Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
EECA partners with large energy users in the public sector	New measure	New measure	Partnership agreements with public organisations that use 20% of the energy used by the public sector[10]	We partner with organisations that use 25% of the energy used by the public sector
Expected annual cost savings as a percentage of the capital costs of projects	Not less than 20% with at least 50% of the savings being direct energy costs	23%, of which 66% were direct energy cost savings	Not less than 20%, with at least 50% of the savings being direct energy costs	Cost savings of 19%, of which 52% are energy cost savings

[10] Measure and target also in the Estimates of Appropriations

Output class: Efficient commercial buildings

Image: 14 Show Place, Christchurch headquarters for IAG and owned by Goodman Property. A collaboration between landlord and tenant delivered a building with leading-edge energy credentials – a 5 star "market leading" rating.

What we achieved in 2017/18

We work with the commercial building sector to improve the energy performance of new and existing buildings, particularly those owned and/or occupied by the public sector. Our goal is for all commercial buildings in New Zealand to be designed, built and managed to maximise energy efficiency opportunities.

To achieve this goal, we continue to support ongoing improvements in the energy performance of commercial buildings through partnerships with large commercial building owners and tenants in the public and private sectors through the NABERSNZ scheme. NABERSNZ is a system for rating the energy efficiency of commercial buildings to allow businesses to compare their energy performance and identify changes in performance over time. Ratings can be achieved for a whole building, base building or tenancy. The scheme is licensed to EECA and is administered by the New Zealand Green Building Council (NZGBC). Ratings are carried out by trained assessors.

This year 27 ratings were certified, and 12 of these were in the public sector. Since the scheme was introduced, 96 ratings have been certified, with 40% being public sector owned or occupied.

Our aim was that, by 2018, 20% of new commercial tenants seek a NABERSNZ rating. While it is difficult to know exactly how many new tenants are seeking a rating, we can see that the number of tenancy ratings that are tenant-driven have steadily increased over the past three years in proportion to the number of building ratings. Since the scheme began, 31% of all ratings have been tenancies.

How we measured performance

Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
Number of NABERSNZ ratings, including those in the public sector	New measure	New measure	25 NABERSNZ ratings, of which 5 are in the public sector	27 ratings, 12 of which are in the public sector ✓

How much it cost

	Low carbon businesses		Commercial buildings		Total	
	Actual 2018 $000	Budget 2018 $000	Actual 2018 $000	Budget 2018 $000	Actual 2018 $000	Actual 2017 $000
Revenue						
Energy Efficiency and Conservation						
Crown funding	4,902	6,618	1,063	209	5,965	4,661
Electricity Levy funding	4,170	3,390	173	649	4,343	10,592
Gas Levy funding	1,160	1,162	-	138	1,160	-
Petroleum Levy funding	-	-	-	-	-	-
	10,232	11,170	1,236	996	11,468	15,253
Home Insulation	-	-	-	-	-	-
Implementation of Home Insulation Programme	-	-	-	-	-	-
Total appropriation revenue	**10,232**	**11,170**	**1,236**	**996**	**11,468**	**15,253**
Other revenue	706	683	-	-	706	1,086
Total revenue	**10,938**	**11,853**	**1,236**	**996**	**12,174**	**16,339**
Expenditure						
Financial and industry support expenses	5,350	5,800	-	200	5,350	6,735
Other operational expenses	6,939	8,053	1,236	796	8,175	8,858
Total expenditure	**12,289**	**13,853**	**1,236**	**996**	**13,525**	**15,593**
Surplus/(deficit)	**(1,351)**	**(2,000)**	**-**	**-**	**(1,351)**	**746**
Net surplus/(deficit) related to financial and industry support activities	(1,351)	(2,000)	-	-	(1,351)	(563)
Net surplus/(deficit) related to other operating activities	-	-	-	-	-	1,309
	(1,351)	**(2,000)**	**-**	**-**	**(1,351)**	**746**
Non-departmental capital expenses						
Crown Energy Efficiency	**1,740**	**2,000**	**-**	**-**	**1,740**	**1,300**

Efficient, safe and lower carbon transport

Why this matters

The transport sector provides the largest opportunity to improve New Zealand's energy productivity and energy-related emissions profile. Transport is responsible for about 21% of New Zealand's total emissions each year and 52% of energy-related emissions.[11]

There are significant improvements to be made using sustainable and efficient technologies, particularly electric vehicles. About 6 million tonnes of energy-related emissions can be avoided in 2030 by making economically feasible changes to how we move around.[12] This could largely be achieved by a switch to electric vehicles. Meeting our transport needs with sustainable energy will reduce emissions and our dependence on imported fuel.

[11] New Zealand's Greenhouse Gas Inventory 1990–2016, Ministry for the Environment (2018).
[12] Economic Energy Potentials Tool 2016, EECA (2018).

Output class: Increase electric vehicles in New Zealand

We want New Zealanders to have their transport needs met using significantly less, and cleaner, energy. This involves the fleet becoming more energy and emissions efficient.

What we are tracking to measure progress:

- **The decrease in carbon intensity of the light fleet**
  In 2014, the fuel economy of vehicles entering the light fleet was 8.0 litres/100 km. Our aim was that it would improve by 0.1 litre/100 km each year to 2018, which has been achieved with a current fuel economy of 7.6 litres/100 km. However, over the last 12 months, it only improved by 0.025 litres/100 km. This may reflect a current preference for larger, heavier vehicles. Other potential factors include general weight and power increases for comparable models as manufacturers add safety and performance improvements, which partially counteract engine efficiency improvements.
- **The increasing rate of transition to a low-emissions light vehicle fleet**
  Our work on electric vehicles sits within a cross-government package of measures to accelerate the uptake of electric vehicles. The government's electric vehicle programme, with industry support and involvement, aims to have 64,000 electric vehicles registered in New Zealand by the end of 2021. There has been exponential growth in the industry, and as of 30 June 2018, there were almost 8,700 electric and plug-in hybrid light vehicles registered. This is ahead of the target of 8,000 by the end of December 2018.
- **The decrease in energy intensity of fossil-fuelled vehicles entering the light fleet**
  The energy intensity of fossil-fuelled vehicles entering the light fleet is currently 8.5 litres/100 km.

What we achieved in 2017/18

1. Information Campaign

We work to help more New Zealanders choose a low-emissions vehicle over a fossil-fuelled vehicle. We have continued to develop and provide independent and authoritative information that dispels myths and motivates people to improve their transport choices.

The electric vehicle web portal (www.electricvehicles.govt.nz) is a comprehensive source of electric vehicle information for consumers. It has experienced a surge in traffic since its launch in September 2016, currently averaging 11,000 visits per month – an increase of over 200% on the previous 11 months.

Our research shows that people need to see, ride or drive an electric vehicle before they'll consider buying one. We have continued to run a programme of outreach events in partnership with the Better New Zealand Trust to give people the chance to get behind the wheel of an electric vehicle. This year, we supported 111 community events that saw over 1,300 test drives take place.

2. Low Emission Vehicles Contestable Fund

We support early and innovative investment in low-emissions vehicles and associated infrastructure by sharing the financial risk. This year, we committed to co-invest $6.54 million in new low-emissions vehicle initiatives through our Low Emission Vehicles Contestable Fund and saw multi-year projects sufficiently advanced that they met the criteria to draw on nearly $5 million co-investment. In total, we have committed co-funding of $10.1 million to third-party funding of $18.8 million, and 13 of the 14 projects allocated funding in 2016/17 now have publicly visible infrastructure or vehicles in operation.

How we measured performance

Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
The number of visits to the EV website	New measure	New measure	25,000	142,672 ✓
The number of electric vehicle (EV) test drives at EECA-supported events[13]	New measure	New measure	1,000	1,345 test drives and 3,174 rides at 111 events ✓
Design and deliver a contestable fund that contributes to the accelerated uptake of electric and/or other low-emissions vehicles	Complete at least one funding round	One funding round completed	Complete at least one funding round[14]	Two funding rounds completed (Rounds 2 and 3) ✓
Design and deliver a contestable fund that contributes to the accelerated uptake of electric and/or other low-emissions vehicles	New measure	New measure	Eligible applications are received for 150% of available funds	Eligible applications in Rounds 2 and 3 were received for 319% of the $6.54 million invested ✓
Design and deliver a contestable fund that contributes to the accelerated uptake of electric and/or other low-emissions vehicles	New measure	New measure	80% of projects allocated funding in previous year(s) have publicly visible infrastructure or vehicles in operation	93% of projects allocated funding in 2016/17 have publicly visible infrastructure or vehicles in operation ✓

[13] Test drives were only possible at a selection of EECA-supported events.
[14] Measure and target also in the Estimates of Appropriations.

Output class: Improve fuel economy of light fleet

What we achieved in 2017/18

We work to help people who do not buy a low-emissions vehicle to choose a more efficient fossil-fuelled vehicle. We do this through ensuring New Zealanders have point-of-sale information that allows them to assess the comparable fuel economy of vehicles.

We provide the fuel efficiency data vehicle dealers need on our website 24/7 and carry out compliance surveys at dealerships across the country. This year, nearly 97% of the vehicles for sale displayed a vehicle fuel economy label consistent with the regulations.

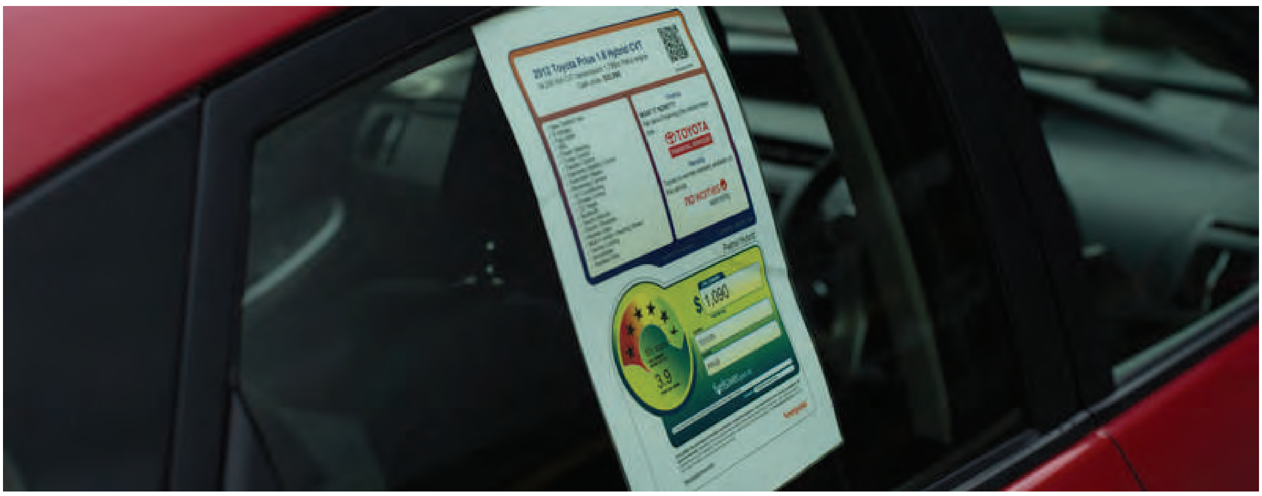
How we measured performance

Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
Surveys completed to assess percentage of cars (new and used) on car yards that have fuel economy labels available	No less than 90% available	93.7% available	No less than 90% available	94.3% available
Percentage of cars that display a Vehicle Fuel Economy Label (where the label is available)	New: No less than 95% displayed	New: 97.6% displayed	New: No less than 95% displayed	New: 96.9% displayed
	Used: No less than 90% displayed	Used: 90.4% displayed	Used: No less than 90% displayed	Used: 96.9% displayed

In the past, we have also run two programmes aimed at encouraging people to drive their fossil-fuelled vehicles more efficiently.

In 2014, we ran a Fuel Efficient Tyre programme to increase consumer awareness on how tyre choice can affect fuel efficiency and to encourage the uptake of fuel-efficient tyres. Our aim was that 30% of drivers are driving more efficiently by 2018. However, in 2016, it became clear that the Fuel Efficient Tyre programme was not performing as expected. We elected to retain our tyre approval mark and significantly reduce marketing the programme until the decision was made to fully exit the programme.

We also exited the Heavy Vehicle Fuel Efficiency programme, which was designed to help heavy vehicle fleets save fuel and reduce carbon emissions. This was to contribute towards our goal that 30% of businesses with significant transport fuel use take action by June 2018. The programme did not get the level of uptake we would like for a variety of reasons including low fuel prices, driver shortages in the sector that impacted on driver training availability and constraints in getting timely and accurate fuel-use data.



How much it cost

	Electric vehicles		Light fleet		Total	
	Actual 2018 $000	**Budget 2018 $000**	**Actual 2018 $000**	**Budget 2018 $000**	**Actual 2018 $000**	**Actual 2017 $000**
Revenue						
Energy Efficiency and Conservation						
Crown funding	2,805	1,495	870	746	3,675	8,856
Electricity Levy funding	-	-	-	-	-	-
Gas Levy funding	-	-	-	-	-	-
Petroleum Levy funding	6,500	6,500	-		6,500	-
	9,305	7,995	870	746	10,175	8,856
Home Insulation	-	-	-	-	-	-
Implementation of Home Insulation programme	-	-	-	-	-	-
Total appropriation revenue	**9,305**	**7,995**	**870**	**746**	**10,175**	**8,856**
Other revenue	-	-	-	-	-	-
Total revenue	**9,305**	**7,995**	**870**	**746**	**10,175**	**8,856**
Expenditure						
Financial and industry support expenses	4,973	5,500	-	-	4,973	919
Other operational expenses	2,761	2,495	870	746	3,631	5,662
Total expenditure	**7,734**	**7,995**	**870**	**746**	**8,604**	**6,581**
Surplus/(deficit)	**1,571**	**-**	**-**	**-**	**1,571**	**2,275**
Net surplus/(deficit) related to financial and industry support activities	1,571	-	-	-	1,571	2,275
Net surplus/(deficit) related to other operating activities	-	-	-	-	-	-
	1,571	**-**	**-**	**-**	**1,571**	**2,275**

Warm, dry, more energy efficient homes

Why this matters

Encouraging New Zealanders to improve energy efficiency in their homes means they are warmer and healthier and can enjoy the benefits of using smarter household technologies without increasing their energy costs.

The residential sector, excluding private transport, accounts for 6% of New Zealand's total energy-related emissions.[15] It has a large number of small consumers, and the dominant energy source is our highly renewable electricity system. Nevertheless, more than $410 million could be saved each year by improving the quality of our housing and energy efficiency in our homes.[16]

Households have a significant impact on our peak electricity use when electricity tends to be at its least renewable and most expensive to produce (for example, winter evenings).

Energy efficiency in the residential sector is also critical as we seek to engage all citizens in the collective objective of reducing New Zealand's energy-related emissions.

[15] Energy End Use Database 2016, EECA (2018).
[16] Economic Energy Potentials Tool 2016, EECA (2018).

Output class: Innovative and efficient household energy use

We work to help more New Zealanders live in energy-efficient homes and make informed choices on energy-efficient technologies and behaviours.

What we are tracking to measure progress:

- **The annual decrease in energy use of residential appliances**
  We set ourselves an ambitious target in 2014 to reduce the annual energy use from residential appliances by 12% by 30 June 2018 through several initiatives. While not all of these initiatives proceeded, our Equipment Energy Efficiency (E3) programme alone has resulted in a reduction of 8.1%.

- **The annual increase in energy savings per annum from improvements in the electricity efficiency of household products through energy performance standards and labelling**
  This year, we recorded annual energy savings of 146 GWh (0.53 PJ) from more energy efficient products sold over the previous year. This means New Zealanders have saved $12.8 million in electricity costs.

Image: Energy Rating Labels tell consumers how much electricity an appliance will use and allows them to compare the energy efficiency and running costs of appliances with similar features.

What we achieved in 2017/18

1. Encouraging innovation and improving the energy efficiency of appliances through developing and optimising mandatory product standards and labelling

The Equipment Energy Efficiency (E3) programme continues its close industry consultation on both sides of the Tasman on priority product categories to revise or implement Minimum Energy Performance Standards (MEPS) and/or Mandatory Energy Performance Labelling (MEPL) requirements. In 2017/18, this included heat pumps, household fridges and LED lighting.

Another initiative that makes it easier for people to choose energy efficient appliances is our new Rightware tool, which we launched in June 2018. The tool helps people choose a model that fits their requirements and cost profile by providing running costs on appliances in key consumer product categories.

Over the last 12 months, we also carried out our largest ever appliance testing programme, which included testing of electric storage water heaters, TVs, household fridges and heat pumps against their stated standard. Final test results are expected in 2018/19.

2. Helping consumers use energy better by providing well-evidenced, accessible advice

We work to make sure that people have access to information that helps them understand the impacts of their energy choices. We do this by providing information and advice under the ENERGYWISE brand. This year, there were nearly 1.2 million unique visits to our ENERGYWISE website – 97% of our target. The small shortfall is a timing-related issue with the launch of the Rightware tool and its associated campaign in June rather than February as originally expected. Activity related to the new tool will be reflected in visit figures in the new financial year.

How we measured performance

Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
Develop and implement product MEPS/MEPL standards that align with Australia's where they positively benefit New Zealand	New measure	New measure	Achieved[17]	Achieved
Delivery of savings from MEPS/ MEPL standards that are funded by the Electricity Efficiency Levy: • Electricity savings (GWh, PJ) per annum • Dollar value of electricity saved per annum	200 GWh (0.7 PJ) and $17.6 million saved per annum	133 GWh (0.48 PJ) and $11.7 million saved per annum	127 GWh (0.46 PJ) and $11.2 million saved per annum	146 GWh (0.53 PJ) and $12.8 m saved per annum
A minimum of 200 retail stores are surveyed to assess compliance with the MEPS/ MEPL disclosure requirements	No less than 95% labelling compliance	98% labelling compliance	No less than 95% labelling compliance	97% labelling compliance
The number of visits to the ENERGYWISE website is monitored	1.2 million	1.28 million	1.2 million	1.16 million

[17] Measure and target also in the Estimates of Appropriations

Output class: Improved thermal envelope

It is difficult and expensive to heat poorly insulated, damp houses, and they are associated with a range of respiratory conditions. We work to improve the heat retention of New Zealand homes by providing and leveraging funding to support insulation retrofits to avoid ill health and lost productivity and to improve energy efficiency. We also support council insulation programmes and philanthropic retrofits through promotion and quality assurance.

What we achieved in 2017/18

As of 30 June 2018, we have helped deliver 324,000 insulation retrofits since 2009 through direct funding provision, administering and/or auditing. In 2014, we set a 30 June 2018 target of 350,000 in our Statement of Intent. The target was set based on an expected greater appropriation for our insulation programme, but this did not eventuate. While we have not met the target, we have played a vitally important part in catalysing the market.

Our Warm Up New Zealand programme, which ended on 30 June 2018, has been instrumental in this. Over the final two years of the programme, we funded the delivery of 13,800 high-quality, subsidised retrofits to houses owned and rented by low-income households. A further 2,000 are expected to be delivered in July 2018, bringing the total for the two-year programme to 15,800.

We set a target in 2014 that, by 30 June 2018, 50% of buyers and 70% of renters are seeking information about a home's thermal performance to assist in their decision making. Our focus has been on ensuring insulation is installed in as many houses as possible and we do not have direct data to report against this measure. However, it is expected that those who have benefited from living in an insulated property and been exposed to the benefits of improved thermal performance are more likely to demand adequate thermal performance from their next house.

To ensure we continue to improve the thermal performance of New Zealand's housing stock, the government announced Warmer Kiwi Homes on 17 May 2018 – our new insulation and heating programme that will deliver subsided insulation and heating to low-income households across New Zealand. An unspent $6 million from the Warm Up New Zealand programme will be transferred to the Warmer Kiwi Homes programme in 2018/19.

More New Zealanders are warmer and healthier due to the support of our funding partners. These partners committed $20 million for the last phase of our Warm Up New Zealand programme. Thank you!

Absolute Energy Ltd
Age Concern Canterbury
Apple Commercial Ltd
Barfoot & Thompson (Henderson Property Management)
Barfoot & Thompson (Otahuhu)
Bay of Plenty District Health Board
Benchmark Property Management Ltd
Brent Thomas Trust
Bungalow Rentals Ltd
Community Energy Action Charitable Trust
Central Energy Trust
Central Lakes Trust
Christchurch City Council
Cosy Homes Otago
Cosy Kiwi Fund
Coutts & Co
Crockers Property Management
Community Trust of Southland
Eastern Bay Energy Trust
Easy Insulation Ltd
EcoMatters Environment Trust
Electricity Invercargill Ltd
Environment Southland
Eves Realty Ltd
First National (Papakura Rentals Management Ltd)
First Property Management Ltd
Foundation North Charitable Trust
GK & MR Thomas Partnership
GMF Trust
Gore District Council
Grey District Council
Harveys (Papakura)
Hawke's Bay District Health Board
Hawke's Bay Power Consumer Trust
Health Hawke's Bay
Hutt Mana Charitable Trust
Installed Ltd
Invercargill City Council
Jenwar Holdings Ltd
Key Rentals Ltd
Lines Trust South Canterbury
LJ Hooker (Henderson) Total Transaction Realty Ltd
LJ Hooker (Royal Oak)
Mainpower
Marlborough District Council
MidCentral District Health Board
MINT Auckland
Nelson City Council
Nelson Marlborough District Health Board
New Plymouth District Council
NZ Oil and Gas Ltd
NZ Red Cross
OMV Ltd
Orion
Otago Community Trust
Point Property Management Ltd
Rata Foundation
Ray White (Glen Eden) Supreme Property Management
Ray White (Glenfield) North Harbour Realty Ltd
Ray White (Te Atatu Peninsula) Buy West Property Management Ltd
Rotorua Energy Charitable Trust
RPA Ltd
Ruapehu District Council
Southland District Council
Stake Property Rentals Ltd
Southland Warm Homes Trust
Taranaki Electricity Trust
Terra Lana Products Ltd
The Power Company Ltd
The Southern Trust
TSB Community Trust
Wairarapa Healthy Homes
Wellington City Council
Whanganui Regional Health Network
Waitara Initiatives Supporting Employment (WISE)
Wise Property Management Ltd

How we measured performance

Measure	2016/17 target	2016/17 result	2017/18 target	2017/18 result
Retrofit targets are set for each service provider based on the available funding, and each retrofit is registered with EECA	20,000 retrofits by 30 June 2018	3,500	20,000 retrofits by 30 June 2018[18]	15,800 funded, with 13,800 completed by 30 June 2018 and the balance to be completed by 31 July 2018
Independent auditors assess a sample of retrofits for compliance with the standard	Sample of retrofits to be audited and at least 95% pass rate	96% pass rate	Sample of retrofits to be audited and at least 95% pass rate[18]	95% pass rate
Probity tests are completed to ensure funding arrangements are consistent with the basic principles articulated by the Controller and Auditor-General	Full compliance with the basic principles	Full compliance with the basic principles	Full compliance with the basic principles[18]	Funding was substantially allocated for the two-year programme in 2016/17 and a probity report at the time confirmed full compliance with the basic principles
The ratio of government to third-party to landlord funding	Government grant funding ratio of 25% to minimum ratio 25% Third-party funding and up to 50% landlord funding	Government: 21.8%, Third-party >28.2%, landlord ≤50%	Government grant funding ratio of 25% to minimum ratio 25% third-party funding and up to 50% landlord funding	Government 24.6%, third-party >25.4, landlord ≤50%

[18] Measure and target also in the Estimates of Appropriations.

How much it cost

	Household energy use		Thermal envelope		Total	
	Actual 2018 $000	Budget 2018 $000	Actual 2018 $000	Budget 2018 $000	Actual 2018 $000	Actual 2017 $000
Revenue						
Energy Efficiency and Conservation						
Crown funding	2,245	2,095	4,699	5,421	6,944	3,067
Electricity Levy funding	857	1,161	-	-	857	2,408
Gas Levy funding	-	-	-	-	-	-
Petroleum Levy funding	-	-	-	-	-	-
	3,102	3,256	4,699	5,421	7,801	5,475
Home Insulation	-	-	7,847	13,678	7,847	2,728
Implementation of Home Insulation Programme	-	-	500	500	500	1,000
Total appropriation revenue	**3,102**	**3,256**	**13,046**	**19,599**	**16,148**	**9,203**
Other revenue	-	-	412	250	412	-
Total revenue	**3,102**	**3,256**	**13,458**	**19,849**	**16,560**	**9,203**
Expenditure						
Financial and industry support expenses	-	-	6,446	13,678	6,446	4,374
Other operational expenses	3,102	3,256	5,308	6,301	8,410	6,475
Total expenditure	**3,102**	**3,256**	**11,754**	**19,979**	**14,856**	**10,849**
Surplus/(deficit)	**-**	**-**	**1,704**	**(130)**	**1,704**	**(1,646)**
Net surplus/(deficit) related to financial and industry support activities	-	-	1,401	-	1,401	(1,646)
Net surplus/(deficit) related to other operating activities	-	-	303	(130)	303	-
	-	**-**	**1,704**	**(130)**	**1,704**	**(1,646)**

[18] Measure and target also in the Estimates of Appropriations

Organisation capability

Our Executive Team

Andrew Caseley
Chief Executive

Ian Horne
Group Manager Corporate Services

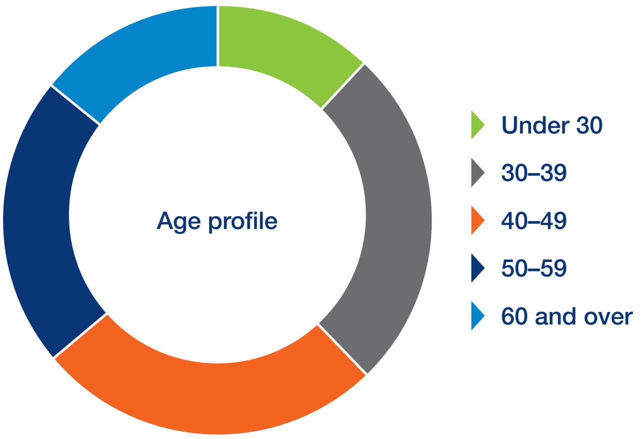
Jenny Lackey
Group Manager Strategy and Performance

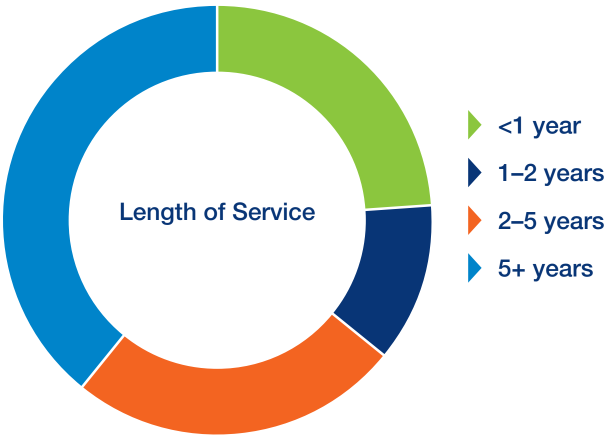
Greg Visser
Group Manager Market Engagement (resigned from 29 June 2018)

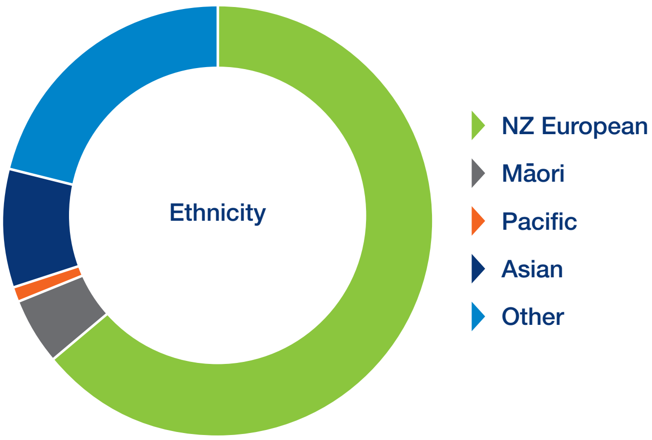
Workforce profile

In 2017/18, EECA had a workforce of 74 full-time equivalent employees.

The gender split of the total workforce by headcount was female 49% and male 51%. At the management level (the Executive Team and people managers), the gender split was 40% female and 60% male. Our Board composition is 50% male and 50% female.







EECA values the importance of being a good employer

Under EECA's equal employment opportunities practices, all staff members are treated on merit. EECA's activities against the seven key elements of being a good employer support our wider business strategy – ensuring that EECA has access to the right capability at the right time and in the right places to support the delivery of our strategic objectives. These practices are summarised in the table below.

Element	EECA element
Leadership, accountability and culture	Cross organisational group with a focus on culture at EECA. Leadership development opportunities regularly provided through temporary secondments. Stronger, clearer accountabilities strengthened through a focus on our strategic focus areas.
Recruitment, selection and induction	Robust recruitment and selection processes. Utilising a wider range of channels to source new staff. Continuous improvement process in regards to the induction programme to support new staff into EECA.
Employee development, promotion and exit	Continued enhancements to our training and development practices in order to educate, upskill and build the capability of our staff. Providing development opportunities through promoting internally where possible.
Flexibility and work design	Flexible working arrangement policies and practices to both attract and retain staff and support staff in managing personal development and family responsibilities.
Remuneration, recognition and conditions	Regular recognition awards that provide recognition to staff who have made significant contributions to EECA during the year.
Harassment and bullying prevention	Monitoring via various means including: • exit interviews • staff surveys • EAP usage overview statistics • active participation of a cross-EECA staff group with a focus on culture and staff wellbeing.
Safe and healthy environment	The Board provides the leadership and governance for EECA's health and safety. This is a fundamental part of EECA's overall risk management function. EECA has an established health and safety management system and is fully compliant with the Health and Safety at Work Act 2015.

Conduct

EECA has a code of conduct that outlines the standard of behaviour required, and staff are expected to perform their duties in accordance with this code.

EECA also has a protected disclosures policy and register of interests for both Board members and staff. During the financial year ended 30 June 2018, no protected disclosures were received.

Leading by example

At EECA, we aim to provide a friendly and supportive workplace that fosters a culture of action and achievement. We are continually improving how we use energy, manage carbon emissions, procure products and services, reduce waste and treat each other.

In March 2018, we achieved NABERSNZ[19] tenancy ratings of 4.5 stars for both our Auckland and Christchurch offices, which represents excellent performance.

We are also in our 11th year of measuring and reporting our organisation's carbon emissions.[20] In 2017/18, we emitted 208 tonnes CO_2e, which is 27% less than last year and a reduction of 44% since 2007. This reduction is largely due to our decision to switch our Auckland office to a carbon-zero electricity provider at no increase in cost and a reduction in air and car travel.

A number of our public sector and private partners also measure and report their carbon footprint including several district health board, tertiary institutions and local councils such as Dunedin, Christchurch and Wellington.

Directions issued by Ministers

The Minister of Energy and Resources did not give any written direction under any enactment to EECA during the 2017/18 financial year.

Directions issued by the Minister of State Services and the Minister of Finance that apply to EECA as a Crown entity and are still current include:

- the May 2016 direction issued to EECA under section 107 of the Crown Entities Act 2004 to apply the whole-of-government approach to implementing the New Zealand Business Number (see below)
- June 2014 directions to apply whole-of-government approaches to information and communications technology, property and procurement.

New Zealand Business Numbers

New Zealand Business Numbers are unique identifiers that will be assigned to all businesses in New Zealand as part of the Government's Better Public Services programme. EECA will ensure all 10 requirements under the direction to implement the New Zealand Business Number will be met within the specified timeframes for a Tier 2 agency. We are already considering New Zealand Business Number requirements when implementing changes to existing systems, such as the new Electronic Documents and Records Management system that was put into effect last year. We have projects under way to ensure New Zealand Business Numbers are captured in our Finance system and our Grants Enterprise Management (GEM) system.

[19] NABERSNZ is a system for rating the energy efficiency of office buildings, adapted from the National Australian Building Energy Rating Scheme (NABERS). It is a tool licensed to EECA and is administered by the New Zealand Green Building Council. Ratings are carried out by trained independent assessors.

[20] Our emissions inventory is independently audited and certified using CEMARS (Certified Emissions Measurement and Reduction Scheme), which is an internationally accredited programme.

Financial information

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2018

	Notes	Actual 2018 $000	Budget 2018 $000	Actual 2017 $000
Revenue				
Funding from the Crown		37,791	43,762	33,312
Other revenue		1,118	933	1,086
Total revenue	2	**38,909**	**44,695**	**34,398**
Expenditure				
Personnel costs	3	9,430	10,008	10,256
Financial and industry support	16	16,769	25,178	12,028
Depreciation and amortisation expense	10, 11	112	180	87
Other expenses	4	10,674	11,459	10,652
Total expenditure		**36,985**	**46,825**	**33,023**
Surplus/(deficit)		**1,924**	**(2,130)**	**1,375**
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		**1,924**	**(2,130)**	**1,375**

See note 21 – Explanation of significant variances against budget.

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2018

	Notes	Actual 2018 $000	Budget 2018 $000	Actual 2017 $000
Assets				
Current assets				
Cash and cash equivalents	5	5,454	6,038	3,061
Receivables	6	2,455	1,000	882
Investments	7	20,152	15,000	21,117
Prepayments		343	200	206
Crown loan debtors	8	1,709	1,600	1,631
Total current assets		**30,113**	**23,838**	**26,897**
Non-current assets				
Crown loan debtors	8	3,120	3,500	3,102
Property, plant and equipment	10	156	178	191
Intangibles	11	111	270	141
Total non-current assets		**3,387**	**3,948**	**3,434**
Total assets		**33,500**	**27,786**	**30,331**
Liabilities				
Current liabilities				
Payables and deferred revenue	12	4,673	3,700	3,084
Employee entitlements	13	690	820	805
Crown loan creditors	9	1,709	1,600	1,631
Lease incentives		57	57	57
Provisions	14	178	40	461
Total current liabilities		**7,307**	**6,217**	**6,038**
Non-current liabilities				
Crown loan creditors	9	3,120	3,500	3,102
Employee entitlements	13	163	150	148
Lease incentives		452	452	509
Provisions	14	-	-	-
Total non-current liabilities		**3,735**	**4,102**	**3,759**
Total liabilities		**11,042**	**10,319**	**9,797**
Net assets		**22,458**	**17,467**	**20,534**
Equity				
Contributed capital	15	545	545	545
Accumulated surplus/(deficit)	15	21,913	16,922	19,989
Total equity		**22,458**	**17,467**	**20,534**

See note 21 – Explanation of significant variances against budget.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2018

	Notes	Actual 2018 $000	Budget 2018 $000	Actual 2017 $000
Balance at 1 July		**20,534**	**19,597**	**19,159**
Total comprehensive revenue and expense for the year		1,924	(2,130)	1,375
Balance at 30 June	15	**22,458**	**17,467**	**20,534**

See note 21 – Explanation of significant variances against budget.

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2018

	Notes	Actual 2018 $000	Budget 2018 $000	Actual 2017 $000
Cash flows from operating activities				
Receipts from the Crown		36,011	43,762	34,475
Interest received		789	500	739
Receipts from other revenue		149	433	398
GST (net)		435		(357)
Financial and industry support payments		(15,529)	(9,978)	(10,167)
Payments to suppliers		(10,885)	(11,516)	(15,233)
Payments to employees		(9,530)	(24,578)	(10,360)
Net cash flows from operating activities		**1,440**	**(1,377)**	**(505)**
Cash flows from investing activities				
Receipts from sale of investments		79,000	60,000	61,883
Receipts from sale of property, plant and equipment		-		-
Purchase of property, plant and equipment		(35)	(60)	(17)
Purchase of intangible assets		(12)	(119)	(134)
Purchase of investments		(78,000)	(58,000)	(68,000)
Net cash flows from investing activities		**953**	**1,821**	**(6,268)**
Cash flows from financing activities				
Receipts from the Crown – loan funding		1,740	2,000	1,300
Loan repayments received		1,671	2,000	1,624
Payments to the Crown – loan repayments		(1,671)	(2,000)	(1,624)
Loans provided		(1,740)	(2,000)	(1,300)
Net cash flows from financing activities		-	-	-
Net increase/(decrease) in cash and cash equivalents		**2,393**	**444**	**(6,773)**
Cash and cash equivalents at the beginning of the year	5	3,061	5,594	9,834
Cash and cash equivalents at the end of the year		**5,454**	**6,038**	**3,061**

See note 21 – Explanation of significant variances against budget.

The accompanying notes form part of these financial statements.

Reconciliation of the net surplus/(deficit) to net cash flow from operating activities

	2018 $000	2017 $000
Net surplus/(deficit)	1,924	1, 375
Add/(less) non-cash items		
Depreciation and amortisation expense	112	87
Total non-cash items	**112**	**87**
Add/(less) items classified as investing or financing activities		
Losses/(gains) on disposal of property, plant and equipment	-	-
Total items classified as investing or financing activities	**-**	**-**
Add/(less) movements in working capital items:		
(Increase)/decrease in receivables	(1,608)	914
(Increase)/decrease in prepayments	(137)	11
Increase/(decrease) in payables and deferred revenue	1,532	(3,205)
Increase/(decrease) in provisions	(283)	417
Increase/(decrease) in employee entitlements	(100)	(104)
Net movement in working capital items	**(596)**	**(1,967)**
Net cash flows from operating activities	**1,440**	**(505)**

Notes to the financial statements

1. Statement of accounting policies for the year ended 30 June 2018

Reporting entity

The Energy Efficiency and Conservation Authority (EECA) is a Crown entity as defined in the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing EECA's operations includes the Crown Entities Act 2004 and the Energy Efficiency and Conservation Act 2000. EECA's ultimate parent is the New Zealand Crown.

EECA's primary objective is to provide services to the New Zealand public. EECA implements New Zealand Government strategies for energy efficiency, conservation and renewable energy in both the private and public sectors. EECA does not operate to make a financial return.

EECA has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements for EECA are for the year ended 30 June 2018 and were approved by the Board on 5 September 2018.

Basis of preparation

The financial statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars ($000).

Standards issued and not yet effective and not early adopted

There are no standards or amendments issued but not yet effective that have not been early adopted and that, if implemented, would have a material impact or relevance to EECA.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Goods and services tax (GST)

All items in the financial statements are exclusive of GST, with the exception of trade debtors and trade creditors, which are stated with GST included. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from or payable to the Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the Inland Revenue, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

EECA is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget figures were prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Cost allocation

EECA has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributable to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information.

There have been no changes to the cost allocation system since the date of the last audited financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, EECA has made estimates and assumptions concerning the future. These estimates and assumptions may differ from actual results. None of the estimates and assumptions made are regarded as being significant.

Critical judgements in applying accounting policies

Management has exercised its judgement in applying accounting policies. None of the judgements exercised are critical.

2. Other revenue

Accounting policy

Funding from the Crown

EECA is primarily funded from the Crown. This funding is restricted in its use for the purpose of EECA meeting the objectives specified in its founding legislation and the scope of the relevant appropriations of the funder.

EECA considers that there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements

Provision of services

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised in proportion to the stage of completion at balance date.

Interest revenue

Interest revenue is recognised by accruing on a time portion basis the interest due for the investment.

Breakdown of other revenue and further information

	2018 $000	2017 $000
Interest revenue	824	776
Discount on loan (note 8)	28	79
Rent receivable from property subleases	162	162
Other revenue	104	69
Total other revenue	**1,118**	**1,086**

3. Personnel costs

Accounting policy

Superannuation schemes

Employer contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

Breakdown of other revenue and further information

	2018 $000	2017 $000
Salaries and wages (including annual leave and other entitlements)	8,769	9,587
Defined contribution plan employer contributions	251	258
Professional development	207	213
Other employment-related costs	203	198
Total personnel costs	**9,430**	**10,256**

Employee remuneration

	Number of employees 2018	Number of employees 2017
Total remuneration paid or payable ($)		
100,000–109,999	13	11
110,000–119,999	7	5
120,000–129,999	3	5
130,000–139,999	4	6
140,000–149,999	3	2
150,000–159,999	3	3
170,000–179,999	-	1
190,000–199,999	1	3
200,000–209,999	2	-
250,000–259,999	-	2
260,000–269,999	1	-
270,000–279,999	-	1
310,000–319,999	2	-
380,000–389,999	1	-
Total employees	**40**	**39**

During the year ended 30 June 2018, 10 employees (2017: 3) received compensation and other entitlements in relation to cessation totalling $371,820 (2017: $91,114). The upper two remuneration band disclosures reflect compensation and accrued entitlements for one senior employee and accrued entitlements for another senior employee, both of whom left in the last quarter of the year.

Board member remuneration

	2018 $000	2017 $000
Board members' fees during the year were:		
T Campbell (Chair, appointed February 2013)	29	29
C Taylor (Deputy Chair, appointed February 2017)	18	8
M Cowden (Deputy Chair, retired February 2017)	-	10
K Sherry (appointed February 2017)	15	6
J Carson (appointed August 2011, retired November 2017)	5	12
E Trout (appointed February 2013)	15	14
P Heatley (appointed February 2016)	-	-
D Coull (appointed February 2014)	15	14
Total fees paid	**97**	**93**

EECA has taken out Directors' and Offficers' Liability and Professional Indemnity insurance cover during the financial year in respect of liability or costs of Board members and employees.

No Board members received compensation or other benefits in relation to cessation (2017: $nil).

4. Other expenses

Accounting policy

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Breakdown of other expenses and further information

	2018 $000	2017 $000
Fees paid to external auditors:		
- Fees to Audit New Zealand for audit of financial statements	62	59
Board members' fees	97	93
Rental and operating lease costs	887	910
Contract services	2,311	2,099
Marketing services	4,695	5,171
Website development and maintenance expenses	569	383
Discount on loan (note 8)	27	79
Other expenses	2,026	1,858
Total other operating expenses	**10,674**	**10,652**

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2018 $000	2017 $000
Not later than one year	709	683
Later than one year and not later than five years	2,748	2,733
Later than five years	2,739	3,422
Total non-cancellable operating leases commitments	**6,196**	**6,838**

The non-cancellable operating lease commitments consist of contractual amounts due for leased office equipment and premises. EECA leases offices in Auckland, Christchurch and Wellington. The leases expire on 30 September 2018, 30 November 2027 and 28 June 2027 respectively.

Total future minimum sublease payments to be received under non-cancellable subleases for office space at balance date are $0.49 million (2017: $0.65 million).

5. Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

Breakdown of cash and cash equivalents and further information

	2018 $000	2017 $000
Cash on hand	5,454	3,061
Short-term deposits <90 days	-	-
Total cash and cash equivalents	**5,454**	**3,061**

6. Receivables

Accounting policy

Short-term receivables are recorded at their face value less any provision for impairment.

Breakdown of receivables and further information

	2018 $000	2017 $000
Receivables (gross)	2,455	882
Less: provision for impairment	-	-
Total receivables	**2,455**	**882**
Total receivables comprises:		
Receivables from the sale of goods and services (exchange transactions)	307	654
Receivables from Crown funding (non-exchange transactions)	2,148	228
The ageing profile of receivables at year end is detailed below:		
Trade receivables – due profile:		
Not past due	2,455	881
Past due 1 – 30 days	-	-
Past due 31 – 60 days	-	-
Past due 61 – 90 days	-	-
Past due over 90 days	-	1
	2,455	**882**

All receivables greater than 30 days in age are considered to be past due.

7. Investments

Accounting policy

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance.

Breakdown of investments and further information

	2018 $000	2017 $000
Current portion		
Term deposits maturing within 12 months	20,152	21,117
Total investments	**20,152**	**21,117**

The carrying amounts of term deposits with maturities less than 12 months approximates their fair value.

8. Crown loan debtors

Accounting policy

Loans are initially recorded at fair value, being the notional value of the loans at date of acquisition or origination less the discount necessary to take account of the time value of money calculated at an interest rate applicable to the creditworthiness of the debtor. Thereafter, interest is recognised in accordance with the effective interest rate method such that the discount will be amortised at the interest rate applicable to the date of acquisition or origination.

Breakdown of Crown loan debtors and further information

	2018 $000	2017 $000
Face value of the loans	5,121	5,052
Discount to be amortised	(292)	(319)
Carrying amount	**4,829**	**4,733**
Short-term (<12 months)	1,709	1,631
Long-term (>12 months)	3,120	3,102
Carrying amount	**4,829**	**4,733**

EECA, on behalf of the Crown, approves and administers loans to third parties to undertake specific energy efficiency projects. The loans are interest free and repayable at periods ranging from three to five years.

9. Crown loan creditors

	2018 $000	2017 $000
Face value of the loans owed to the Crown	5,121	5,052
Discount to be amortised	(292)	(319)
Carrying amount	**4,829**	**4,733**
Short-term (<12 months)	1,709	1,631
Long-term (>12 months)	3,120	3,102
Carrying amount	**4,829**	**4,733**

10. Property, plant and equipment

Accounting policy

Property, plant and equipment consists of the following asset classes: computer equipment, office equipment furniture and fittings, and leasehold improvements.

All asset classes are measured at cost, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of property, plant and equipment have been estimated as follows:

Asset	Useful life	Depreciation rate
Computer equipment	3 years	33.30%
Office equipment	2.5 – 6 years	40% – 16.67%
Furniture and fittings	6 years	16.67%
Leasehold improvements	2 – 6 years	50% – 16.67%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Impairment of property, plant and equipment

EECA does not hold any cash-generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

Non-cash-generating assets

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Revenue and Expense.

Breakdown of property, plant and equipment and further information

Movements for each class of property, plant and equipment are as follows:

	Office equipment $000	Furniture and fittings $000	Computer fittings $000	Leasehold improvements $000	Total $000
Cost					
Balance at 1 July 2016	266	192	199	1,085	1,742
Additions	4	5	8	-	17
Disposals	-	-	-	-	-
Balance at 30 June 2017	**270**	**197**	**207**	**1,085**	**1,759**
Balance at 1 July 2017	270	197	207	1,085	1,759
Additions	-	-	35	-	35
Disposals	-	(117)	(60)	(137)	(314)
Balance at 30 June 2018	**270**	**80**	**182**	**948**	**1,480**
Accumulated depreciation					
Balance at 1 July 2016	192	190	180	935	1,497
Depreciation expense	29	2	10	30	71
Elimination on disposal	-	-	-	-	-
Balance at 30 June 2017	**221**	**192**	**190**	**965**	**1,568**
Balance at 1 July 2017	221	192	190	965	1,568
Depreciation expense	29	1	12	28	70
Elimination on disposal	-	(117)	(60)	(137)	(314)
Balance at 30 June 2018	**250**	**76**	**142**	**856**	**1,324**
Carrying amounts					
At 30 June 2016	**74**	**2**	**19**	**150**	**245**
At 30 June 2017	**49**	**5**	**17**	**120**	**191**
At 30 June 2018	**20**	**4**	**40**	**92**	**156**

There are no restrictions over the title of EECA's tangible assets, nor are any tangible assets pledged as security for liabilities.

11. Intangible assets

Accounting policy

Intangible assets consist of software applications that have a finite useful life and are recorded at cost less accumulated amortisation and impairment.

Staff training costs are recognised as an expense when incurred.

Cost associated with maintaining computer software are expensed when incurred.

Costs associated with the development and maintenance of EECA's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The useful lives and associated amortisation rates have been estimated as follows:

Asset	Useful life	Depreciation rate
Acquired computer software	3 to 5 years	33.30% – 20%

Impairment of intangible assets

EECA does not hold any cash-generating intangible assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

Non cash-generating assets

The carrying amounts of intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Revenue and Expense.

Breakdown of intangible assets and further information

Movements for each class of intangible assets are as follows:

	Acquired software $000	WIP $000	Total $000
Cost			
Balance at 1 July 2016	2,356	-	2,356
Additions	-	134	134
Disposals	-	-	-
Capitalised	-	-	-
Balance at 30 June 2017	**2,356**	**134**	**2,490**
Balance at 1 July 2017	2,356	134	2,490
Additions	146	(134)	12
Disposals	(5)	-	(5)
Capitalised	-	-	-
Balance at 30 June 2018	**2,497**	**-**	**2,497**
Accumulated amortisation			
Balance at 1 July 2016	2,333	-	2,333
Amortisation expense	16	-	16
Elimination on disposal	-	-	-
Balance at 30 June 2017	**2,349**	**-**	**2,349**
Balance at 1 July 2017	2,349	-	2,349
Amortisation expense	42	-	42
Elimination on disposal	(5)	-	(5)
Balance at 30 June 2018	**2,386**	**-**	**2,386**
Carrying amounts			
At 30 June 2016	**23**	**-**	**23**
At 30 June 2017	**7**	**134**	**141**
At 30 June 2018	**111**	**-**	**111**

There are no restrictions over the title of EECA's intangible assets, nor are any intangible assets pledged as security for liabilities.

12. Payables and deferred revenue

Accounting policy

Short-term payables are recorded at their face value.

Breakdown of payables and deferred revenue and further information

	2018 $000	2017 $000
Payables under exchange transactions		
Accrued expenses – other	946	961
Other	337	129
Total payables under exchange transactions	**1,283**	**1,090**
Payables under non-exchange transactions		
Taxes payable (GST, PAYE, FBT)	149	133
Accrued expenses – financial and industry support	3,101	1,861
Appropriation received subject to conditions	140	-
Total payables under non-exchange transactions	3,390	1,994
Total payables	**4,673**	**3,084**

13. Employee entitlements

Accounting policy

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries accrued up to balance date, annual leave earned but not yet taken at balance date and sick leave.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long-service leave and retirement leave, are calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave and vested long-service leave are classified as a current liability. Non-vested long-service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Breakdown of employee entitlements and further information

	2018 $000	2017 $000
Current portion		
Accrued salaries and wages	248	290
Annual leave	395	496
Retirement and long-service leave	47	19
Total current portion	**690**	**805**
Non-current portion		
Retirement and long-service leave	163	148
Total non-current portion	**163**	**148**
Total employee entitlements	**853**	**953**

The present value of retirement and long-service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation rate.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. The discount rates ranged from 1.77% – 3.70% (2017: 1.87% – 3.61%), and an inflation factor of 3% (2017: 3%) was used.

Any changes in these assumptions will affect the carrying amount of the liability but the impact will not be material.

14. Provisions

Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Breakdown of employee entitlements and further information

	2018 $000	2017 $000
Current portion		
Restructuring	105	441
Quality assurance audits	73	20
Total current portion	**178**	**461**
Non-current portion		
Restructuring	-	-
Quality assurance audits	-	-
Total non-current portion	**-**	**-**
Total provisions	**178**	**461**

Movements for each class of provision are as follows:

	Restructuring $000	Quality assurance audits $000	Total $000
Balance at 1 July 2016	-	44	44
Additional provisions made	441	20	461
Amounts used	-	(44)	(44)
Balance at 30 June 2017	**441**	**20**	**461**
Balance at 1 July 2017	441	20	461
Additional provisions made	105	73	178
Amounts used	(388)	(20)	(408)
Unused amounts reversed	(53)	-	(53)
Balance at 30 June 2018	**105**	**73**	**178**

Quality assurance audits provision

This provision covers the balance of audits due to be undertaken on insulation retrofits completed under the Warm Up New Zealand: Healthy Homes Extension and Voluntary Targeted Rates programmes as at the end of the financial year. These costs are likely to be incurred over the three months ending 30 September 2018.

Restructure costs

A proposal for organisational change was approved in June 2018. The provision represents the estimated cost for redundancy payments arising from that decision.

15. Equity

Accounting policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Contributed capital
- Accumulated surplus/(deficit)

A significant proportion of the accumulated surplus is the result of revenue received that has been committed in the form of financial and industry support expenditure to be incurred in future years. Refer to accounting policy in note 16.

Breakdown of equity and further information

	2018 $000	2017 $000
Contributed capital		
Balance at 1 July	545	545
Balance at 30 June	**545**	**545**
Accumulated surplus/(deficit)		
Balance at 1 July	19,989	18,614
Surplus/(deficit for the year)	1,924	1,375
Balance at 30 June	**21,913**	**19,989**
Total equity	**22,458**	**20,534**
Analysis of accumulated surplus/(deficit)		
Financial and industry support commitments	12,811	11,190
Accumulated surplus – other	9,102	8,799
	21,913	**19,989**

Capital management

EECA's capital is its equity, which comprises accumulated funds. Equity is represented by net assets.

EECA is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

EECA has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

EECA manages its equity as a byproduct of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that EECA effectively achieves its objectives and purpose while remaining a going concern.

16. Financial and industry support expense commitments

Accounting policy

EECA provides financial and industry support to enable energy efficiency and conservation initiatives, including training and building industry capability to be undertaken. EECA becomes obliged to make a payment against contracts when prescribed activities are undertaken. Financial and industry support is accrued on the basis of the amount of work completed. The value of work yet to be completed under the contract is reported as commitments.

Breakdown of financial and industry support expense commitments and further information

	2018 $000	2017 $000
Total financial and industry support commitments:		
Business	7,468	8,519
Transport	4,242	2,671
Warm Up New Zealand: Healthy Homes Extension	1,401	8,345
Warm Up New Zealand: Healthy Homes	-	-
Total commitments	**13,111**	**19,535**
Payable:		
Not later than one year	10,505	17,573
Later than one year and not later than five years	2,606	1,958
Later than five years	-	4
Total commitments	**13,111**	**19,535**

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments at the point a contractual obligation arises, to the extent that they are yet to be performed.

	2018 $000	2017 $000
How these commitments are funded		
Funding already received and held in retained earnings (see note 15)	12,811	11,190
Funding to be received in the future years	300	8,345
	13,111	**19,535**

17. Contingencies

Contingent liabilities

EECA has no contingent liabilities at balance date (2017: $nil).

Contingent assets

EECA has no contingent assets at balance date (2017: $nil).

18. Related-party transactions

EECA is controlled by the Crown.

Related-party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship
- on terms and conditions no more favourable than those that it is reasonable to expect EECA would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related Party transactions when they are consistent with the normal operating arrangements between government agencies.

Related-party transactions required to be disclosed

EECA did not enter into any related-party transactions requiring disclosure (2017: $nil).

David Coull is a partner of Bell Gully. EECA made payments to Bell Gully of $39,380 (2017: $8,000) during the year, all of which related to transactions entered into on an arm's length basis.

Key management personnel compensation

	2018	2017
Board members		
Remuneration	$97,000	$93,000
Full-time equivalent members	1.1	1.0
Leadership team		
Remuneration	$1,100,000	$1,476,000
Full-time equivalent members	4.0	6.0
Total key management personnel remuneration	**$1,197,000**	**$1,569,000**
Total full-time equivalent personnel	**5.1**	**7.0**

The full-time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

An analysis of Board member remuneration is provided in note 3.

19. Financial instruments

EECA has the following financial instrument categories:

- Held-to-maturity investments
- Receivables
- Loans
- Payables

Held-to-maturity investments

These comprise of cash and cash equivalents (see note 5), which include short-term deposits of less than 90 days and investments (see note 7).

Credit risk

Credit risk arises in that the organisation or organisations with which surplus monies are invested may default on repayment. The maximum credit risk of held-to-maturity investments is $25,604,405 (2017: $24,176,040).

Cash flow interest rate risk

EECA is subject to interest rate risk in that cash and cash equivalents are invested in term deposits with maturity dates of less than one year. It is possible that current market interest rates will rise, causing the fair value of the investments to fall.

In accordance with the investment policy determined by the Board, surplus monies are invested with the objectives to ensure that

- that the statutory requirements for investment are met
- credit risk is minimised as far as possible
- liquid funds are available as and when necessary.

It is a statutory requirement that surplus monies are held in certain prescribed institutions, being registered banks and other highly credit-rated organisations.

All held-to-maturity monies are held with Westpac Banking Corporation Ltd (Westpac). Standard & Poor's has assessed Westpac as having an AA- credit rating.

Liquidity risk

As the primary objective of the investment programme is to ensure monies are available to meet operational needs, investments are made with terms of less than one year. Because interest rates are re-priced in the short term, there is minimal loss of value when interest rates change.

Receivables

The only receivables outstanding are those due in the short term less than 90 days from the date of acquisition (see note 6). There is considered to be minimal credit risk attached to these receivables.

Loans

Credit risk

Loans are the residual sums due from a variety of persons to whom interest-free loans have been made to achieve energy efficiency and conservation measures. All such borrowers are public sector entities, including health boards, territorial authorities, schools and tertiary institutions. As the emphasis on the lending programme is on energy efficiency objectives, credit risk is not regarded as a priority. Accordingly, no security is taken.

Fair value interest rate risk

The fair value of the loans as at 30 June 2018 was $4,858,723. This compares with the carrying value of the loans of $4,828,890 (see note 8).

If interest rates were 10 basis points higher, the fair value of the loans would be lower by $827.

As the amounts receivable under Crown loan debtors (see note 8) are equal to the amounts payable to the Crown under Crown loan creditors, the effective fair value interest rate risk is $nil.

Payables

Payables fall due in the short term. As the cash and other cash and cash equivalents are also available in the short term, no liquidity risk arises.

20. Events after the balance date

There were no significant events after the balance date.

21. Explanation of significant variances against budget

Explanations for major variances from EECA's budgeted figures in the Statement of Intent are as follows:

Statement of Comprehensive Revenue and Expense

Funding from the Crown

The reduction of funding from the Crown is due to the reduced financial and industrial support costs related to the Warm Up New Zealand programme as outlined below, offset by revenue drawn down to cover remaining commitments for the completion of this programme that are due to be expensed in July.

Other expenses

Other expenses were $0.78 million lower than budgeted. This was due to a combination of savings across professional services, information campaigns and ICT expenses, a reduced contribution to the E3 programme and a decision to postpone some activities until 2018/19.

Financial and industry support

Financial and industry support costs were $8.41 million lower than budgeted. This was principally because:

- Warm Up New Zealand programme costs were $7.23 million less than budgeted due to a low level of uptake by the market
- Low Emission Electric Vehicles Contestable Fund programme costs were $0.53 million lower than budgeted due to delayed milestones and contract underspend
- business programme costs were $0.65 million lower than budgeted largely due to revised milestones.

Statement of financial position

Payables

Payables were $0.97 million higher than budgeted. This was due to an increase in claims for Warm Up New Zealand due to the pending close of the programme and higher than budgeted claims in June relating to the Low Emission Electric Vehicles Contestable Fund.

Investments

Investments were $5 miilion higher than budgeted due to actual equity at the end of the year being $4 million higher than forecast at the time of preparing the Statement of Performance Expectations offset by $1 million used to fund the net reduction in payables and provisions.

Receivables

Receivables were $1.4 million higher than budgeted as a result of a Crown funding receivable for Warm Up New Zealand installations to be completed in July.

Statement of cash flows

Receipts from the Crown

The reduction of funding from the Crown is principally due to funding related to the Warm Up New Zealand programme not being drawn down in 2017/18 in line with the programme's financial and industry support cost underspend as detailed above under the explanation of Statement of Comprehensive Revenue and Expense Variances.

Financial and industry support payments

The reduction of financial and industry support cost payments is in line with the reduction in costs as detailed above under the explanation of Statement of Comprehensive Revenue and Expense variances.

Glossary of terms

Carbon equivalent (CO_2e) – a measurement unit used to indicate the global warming potential of greenhouse gases using carbon dioxide (CO_2) as a reference gas.

Crown loans – the Crown loans scheme supports energy efficiency projects in local and central government offices, libraries, community centres, healthcare facilities, schools and universities.

E3 – the Equipment Energy Efficiency Programme, known as E3, is a trans-Tasman programme. It works to align energy efficiency requirements between Australia and New Zealand and to make residential, commercial and industrial products more energy efficient through the implementation of minimum energy performance standards (MEPS) and mandatory energy performance labelling (MEPL).

Electricity Levy – the appropriation Energy and Resources: Energy Efficiency and Conservation includes funding from the Electricity Levy on electricity use under section 128 of the Electricity Industry Act 2010. EECA receives an allocation of funding from the Electricity Levy to drive electricity efficiency savings in the business and residential sectors. Energy efficiency initiatives undertaken by EECA that use levy funding provide a better economic return than investment in new generation.

Emissions – greenhouse gas emissions.

Emissions productivity – the comparison of emissions with production in the economy, defined as gross domestic product (GDP) per unit of emissions. It measures whether emissions have grown or decreased faster or slower than growth in the economy.

Energy productivity – the value we get from the energy we consume, defined as gross domestic product (GDP) per unit of energy.

ENERGYWISE – the ENERGYWISE information programme uses the ENERGYWISE website and other channels such as brochures, advertising and media releases to provide independent, reliable information about energy choices. The information includes everything from home building and renovations to how to choose and use appliances, lighting, cars and so on.

Fossil fuels – include coal, natural gas, LPG, crude oil and fuels derived from crude oil (including petrol and diesel).

Gas Levy – the appropriation Energy and Resources: Energy Efficiency and Conservation includes funding from the Gas Levy provided for under section 23 of the Energy (Fuels, Levies, and References) Act 1989. It was originally established to recover the costs incurred by the regulators for safety, monitoring and information provision activity in relation to the gas industry. However, through the Energy Innovation (Electric Vehicles and Other Matters) Amendment Act 2017, the Government has expanded the purpose of the Gas Levy so that EECA can also recover some of its funding from the Gas Levy.

Gigawatt-hour (GWh) – one gigawatt-hour is equal to one million kilowatt-hours. New Zealand's annual electricity demand is approximately 38,000 GWh.

Greenhouse gases – these include carbon dioxide (CO_2), methane and nitrous oxide. In the energy sector, the burning of fossil fuels (oil, coal, gas) for heat, transport or electricity generation creates greenhouse gas emissions. Greenhouse gas emissions contribute to climate change.

Low-emissions vehicle (LEV) – low-emissions vehicles use our renewable electricity advantage to significantly reduce greenhouse gas emissions. Low-emissions vehicles include battery electric vehicles, plug-in hybrid vehicles and hydrogen fuel cell vehicles (as long as the hydrogen is produced using New Zealand's renewable electricity advantage).

Mandatory Energy Performance Labelling (MEPL) – EECA carries out regulation of energy efficiency labelling for products and appliances so consumers can compare the energy use of products and appliances they buy.

Minimum Energy Performance Standards (MEPS) – EECA carries out regulation of energy efficiency standards for products and appliances to ensure the worst-performing ones are kept out of the New Zealand market.

NZEECS – the New Zealand Energy Efficiency and Conservation Strategy (NZEECS) is a national strategy focusing on energy efficiency, conservation and the use of renewable sources of energy. EECA's work programmes are guided by the NZEECS.

NABERSNZ – a system for rating the energy efficiency of commercial buildings to allow businesses to compare their energy performance and identify changes in performance over time. Ratings can be achieved for a whole building, base building or tenancy. The scheme is licensed to EECA and is administered by the New Zealand Green Building Council (NZGBC). Ratings are carried out by trained assessors.

Petajoule (PJ) – the unit most often used to measure energy production and use on a national scale in New Zealand. Energy savings are valued using the marginal cost of electricity supply.

PHiNZ – Process Heat in New Zealand, a work programme run by EECA and the Ministry of Business Innovation and Employment. The key outcome of PHiNZ is a government action plan that will set out a package of policies and programmes to reduce emissions from process heat.

Petroleum or Engine Fuel Monitoring (PEFM) Levy – the appropriation Energy and Resources: Energy Efficiency and Conservation includes funding from PEFML provided for under section 24 of the Energy (Fuels, Levies, and References) Act 1989. It currently recovers fuel - quality and safety monitoring costs, International Energy Agency (IEA)-related costs (including acquiring energy data and liaising with the IEA) and the cost of compliance with our IEA oil stockholding obligation. However, through the Energy Innovation (Electric Vehicles and Other Matters) Amendment Act 2017, the Government has expanded the purpose of PEFML so that EECA can also recover some of its funding from PEFML.

Process heat – energy used for commercial and industrial processes, manufacturing and heating. For example, meat and dairy processors use steam from boilers to sanitise equipment and process raw products, such as turning milk into powder. It generally involves the use of coal, gas, wood or electricity.

Public sector – the public sector comprises four sectors: public service, state services, state sector and the public sector. It therefore includes both central and local government organisations.

Renewable energy – energy produced from hydro, geothermal, biomass, wind, solar and marine sources.

Sustainable energy – energy that serves the needs of the present without compromising the ability of future generations to meet their needs. It includes renewable energy and energy efficiency.

Vehicle Fuel Economy Label (VFEL) – this is a label that shows how much fuel a vehicle will use to travel a certain distance, which helps people make an informed decision about the vehicles they are considering buying. All new cars, and all cars manufactured since 2000 and imported since 2005 for sale in New Zealand, must display information about the vehicle's fuel economy, whenever that information is available.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of the Energy Efficiency and Conservation Authority's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of the Energy Efficiency and Conservation Authority (EECA). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of EECA on his behalf.

Opinion

We have audited:

- the financial statements of EECA on pages 45 to 69, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of EECA on pages 14 to 15, 17, 19 to 25, 27 to 30, 33 to 35 and 37 to 38.

In our opinion:

- the financial statements of EECA on pages 45 to 69:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2018; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 14 to 15, 17, 19 to 25, 27 to 30, 33 to 35 and 37 to 38:
    - presents fairly, in all material respects, EECA's performance for the year ended 30 June 2018, including:
        - for each class of reportable outputs:
            - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and

        - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
    - what has been achieved with the appropriations; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 5 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of EECA for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of EECA for assessing EECA’s ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of EECA, or there is no realistic alternative but to do so.

The Board’s responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to EECA's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EECA's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within EECA's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on EECA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause EECA to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 2 to 13, 16, 18, 26, 32, 36, 40 to 43 and 70, but does not include the financial statements and the performance information, and our auditor’s report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of EECA in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in EECA.

Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

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