Statement of Performance Expectations

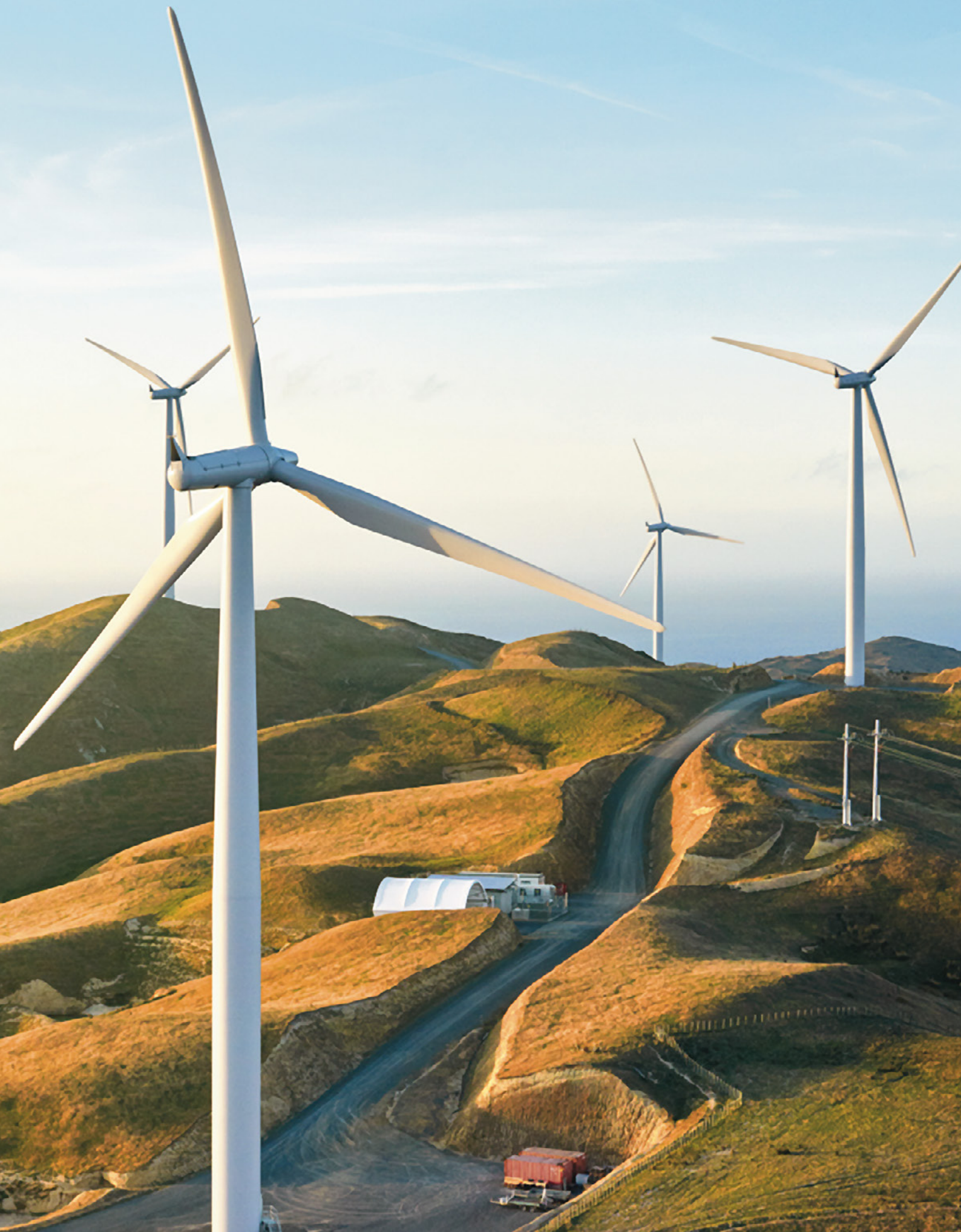
1 JULY 2019 – 30 JUNE 2020

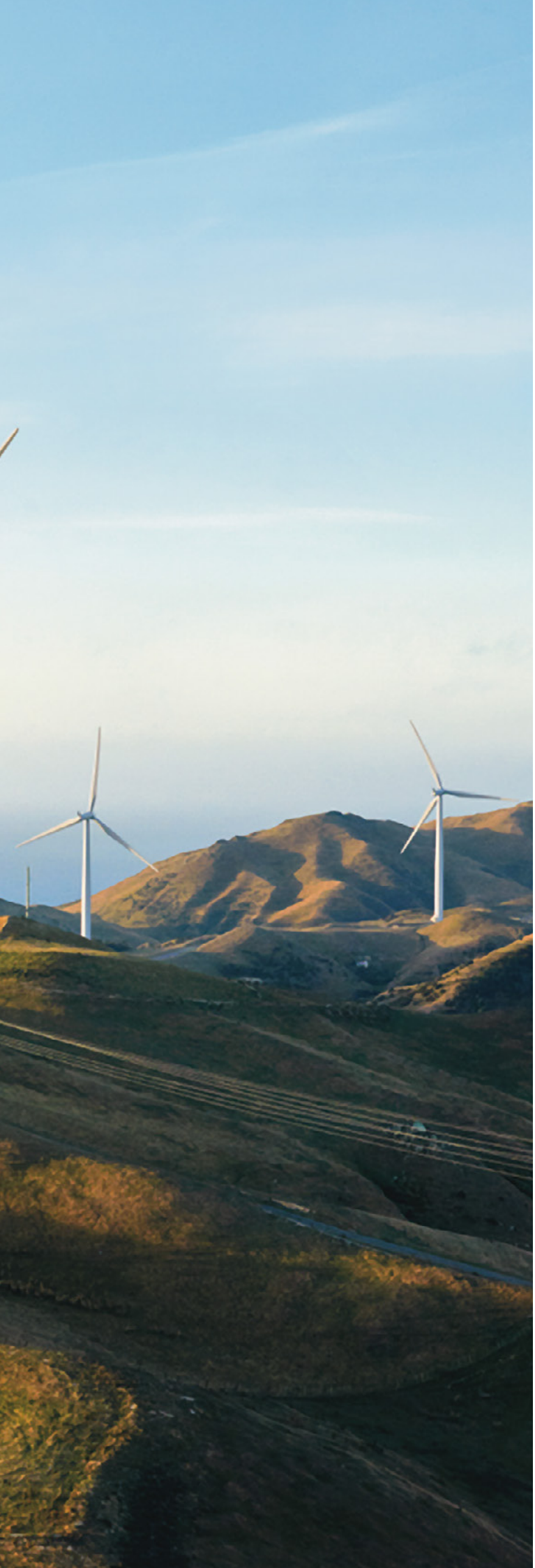
EECA Energy Efficiency and Conservation Authority
Te Tari Tiaki Pūngao

EECA energywise™ THE POWER TO CHOOSE

EECA BUSINESS™ PUTTING ENERGY TO WORK

New Zealand Government





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Introduction

EECA's goal is for New Zealand to have a sustainable energy system that supports the prosperity and wellbeing of current and future generations. While our electricity sector uses mainly renewable energy sources, our energy system still relies heavily on fossil fuels. Nearly 20% of New Zealand's total greenhouse gas emissions come from transport, and a further 20% from industrial and commercial business.

As the world recognises the need to urgently mitigate climate change and adapt to its impacts, we are seeing increasing awareness of how energy efficiency can reduce carbon emissions while also improving economic growth and energy security. Fatih Birol, Executive Director of the International Energy Agency, says "the right efficiency policies could enable the world to achieve more than 40% of the emissions cuts needed to reach its climate goals without requiring new technology".

Recent research by EECA shows that, if all New Zealanders switch to available energy efficient technologies, such as LED lighting and heat pumps, we could halve the need for new electricity generation to meet New Zealand's ambitious renewable electricity goals.

In 2019/20, EECA will continue its work to bring about enduring change in the way we all use energy, whether it's at an industry, corporate, public sector or individual level.

We will work with government agencies and businesses to further develop policy and programme options that encourage clean and clever energy use in New Zealand.

In the transport sector, our initiatives to encourage investment in low-emission vehicles will contribute to the energy efficiency of New Zealand's light vehicle fleet.

Given the business sector uses about a half of the energy used in New Zealand, our partnerships with large energy-using businesses remain a key opportunity. We will also provide targeted support to the largest emitters to help develop their pathway and so accelerate their transition to a low-carbon future.

Our work to make New Zealand's housing stock warmer and healthier will increase this year as we include grants for heating appliances, as well as insulation, as part of our Warmer Kiwi Homes programme.

Through a new motivational campaign, EECA will help New Zealanders understand how we can make a difference to climate change through the way we use energy, our transport choices and our buying decisions.

Collaboration is key to achieving our goals. We look forward to working with people and organisations in both the public and private sectors, to progress our activities, over the next 12 months and beyond.

Statement of Responsibility

This Statement of Performance Expectations for 1 July 2019 – 30 June 2020 has been prepared in accordance with the Crown Entities Act 2004 and has been agreed with the Minister of Energy and Resources – the Minister responsible for overseeing and managing the Crown's interests in EECA.

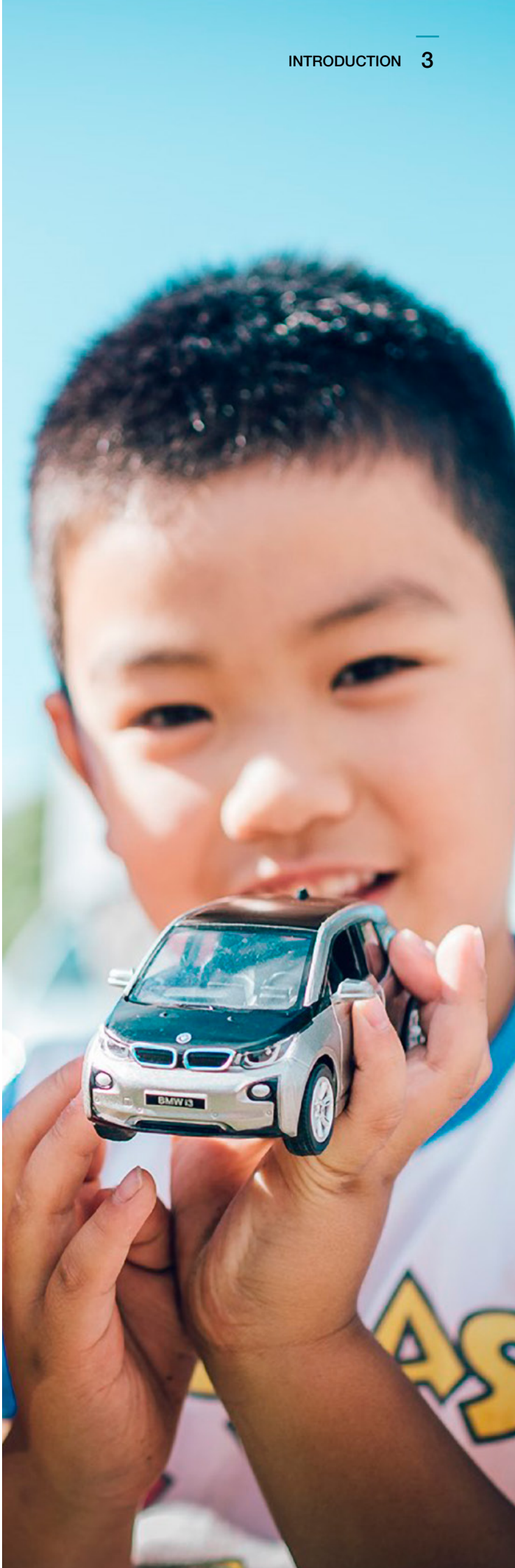
In signing this statement, we acknowledge our responsibility for the information contained in this document and confirm EECA's systems and processes provide reasonable assurance about the integrity and reliability of its prospective operations and financial statements.

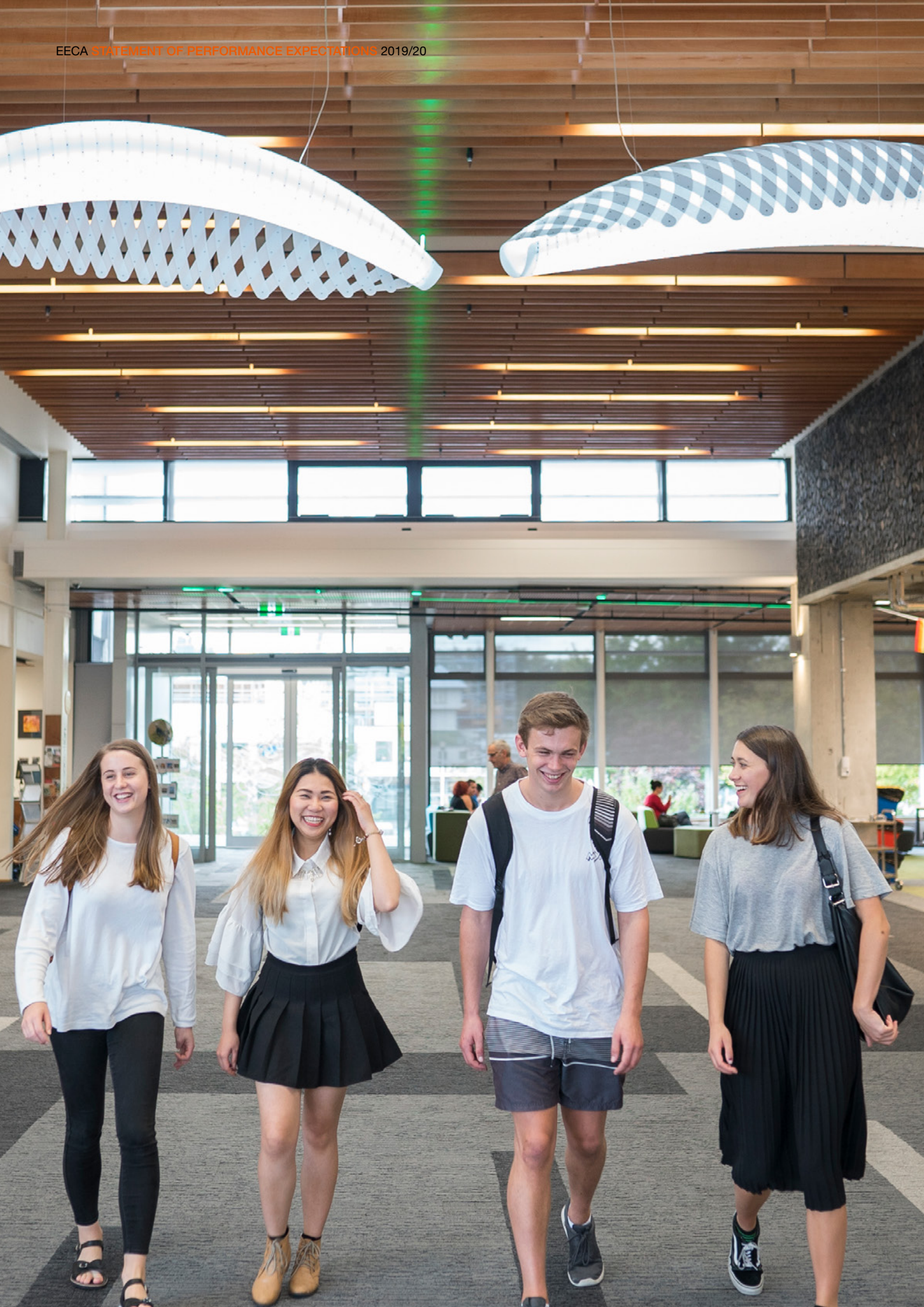
SIGNED ON BEHALF OF THE BOARD

Tom Campbell
Chair of EECA

Catherine Taylor
Deputy Chair and Chair of the Risk and Audit Committee

28 May 2019





Our strategy

Our purpose

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

Our strategic principles

Focus on impact

Pursue high-impact change with agility and at pace.

Understand the customer

Focus on those it is important to influence and influence them based on what they care about.

Define the problem

Identify what's blocking progress and tackle it head on.

Join the dots

Work with and connect people and organisations who can be part of achieving our purpose.

Display leadership

Be proactive, have a fact-based point of view, own it.

Our strategic focus areas

Productive and low-emissions business

Mobilise decision makers and technical experts to accelerate action.

Efficient and low-emissions transport

Switch the fleet to low-emissions technology while ensuring that any remaining fossil-fuelled vehicles are as efficient as possible.

Energy efficient homes

Optimise New Zealanders' use of renewable energy through energy efficient homes, technologies and behaviours.

Government leadership

Equip the public sector to innovate and lead the transition to clean and clever energy use.

Engage hearts and minds

Foster a society in which sustainable energy is expected and demanded.

Our desired outcome

A sustainable energy system that supports the prosperity and wellbeing of current and future generations

Our 2019/20 outcomes framework

Our purpose is to mobilise New Zealanders to be world leaders in clean and clever energy use. The activities we deliver in 2019/20 will contribute to achieving our overall desired outcome – that New Zealand has a sustainable energy system that supports the prosperity and wellbeing of current and future generations. Our work programme is guided by the New Zealand Energy Efficiency and Conservation Strategy (NZEECS 2017–2022), aligns with the Government's priorities and is consistent with the expectations set out by the Minister of Energy and Resources in her annual Letter of Owner's Expectations.

Government priorities[1]

Building a productive, sustainable and inclusive economy
- Grow and share New Zealand's prosperity
- Deliver responsible governance with a broader measure of success
- Support thriving and sustainable regions
- Transition to a clean, green and carbon neutral New Zealand

Improving the wellbeing of New Zealanders and their families
- Support healthier, safe and more connected communities
- Ensure everyone has a warm, dry home
- Make New Zealand the best place in the world for children
- Ensure everyone who is able is earning, learning, caring or volunteering

Providing new leadership by Government
- Value who we are as a country
- Build closer partnerships with Māori
- Create an international reputation we can be proud of
- Deliver transparent, transformative and compassionate government

New Zealand has a sustainable energy system that supports the prosperity and wellbeing of current and future generations

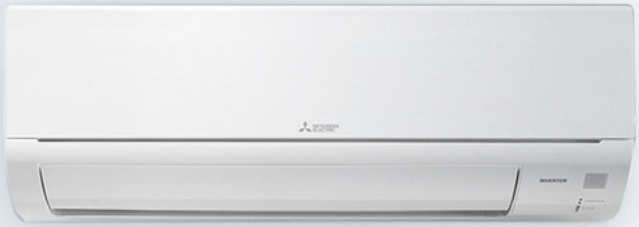
Our desired outcome	Outcomes by focus area	2019/20 Activities	Sustainable Development Goals[2]	The Living Standards Framework domains[3]
	Productive and low-emissions business ✓ EECA's client businesses demonstrate best practices, continuously improve their energy and emissions productivity and motivate other businesses to take action ✓ New Zealand businesses are continuously improving their energy productivity and using sustainable energy to contribute to New Zealand's emissions reduction target	See pages **11-13**	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION	Environment Jobs and earnings Knowledge and skills
	Efficient and low-emissions transport ✓ New Zealanders have their transport needs met and use significantly less energy ✓ New Zealand's vehicle fleet is more energy efficient ✓ More New Zealanders choose a low-emissions vehicle over a fossil-fuelled vehicle and have a good experience using it ✓ People who do not buy a low-emissions vehicle choose a more efficient fossil-fuelled vehicle ✓ The Government develops policy options to improve New Zealand's transition to a low-carbon transport system	See pages **14-15**	3 GOOD HEALTH AND WELL-BEING; 7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION	Environment Knowledge and skills Health Subjective wellbeing
	Energy efficient homes ✓ Households consume electricity more efficiently to reduce peak loading on infrastructure ✓ More New Zealanders live in energy efficient homes and make informed choices on energy efficient technologies and behaviours ✓ New Zealand's residential energy-related carbon emissions decrease	See pages **16-17**	3 GOOD HEALTH AND WELL-BEING; 7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Health Housing Knowledge and skills Income and consumption Environment
	Government leadership ✓ The state sector is an exemplar in improving its energy productivity and reducing its energy-related emissions ✓ State services implement energy policy and programmes to accelerate the transition to clean and clever energy use in New Zealand	See pages **18-19**	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION	Civic engagement and governance Environment Cultural identity
	Engage hearts and minds ✓ New Zealanders feel that the way they use energy positively contributes to achieving New Zealand's climate change commitments ✓ New Zealanders expect and demand energy-related products and services based on their energy efficiency and sustainability	See pages **20-21**	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION	Subjective wellbeing Knowledge and skills Environment Cultural identity Health

[1] *https://www.labour.org.nz/ourplan*

[2] *In 2015, the United Nations adopted 17 global goals to end poverty, protect the planet and ensure prosperity for all. Each goal has a number of targets to be achieved by 2030. EECA's activities and programmes contribute to achieving the listed goals.*

[3] *The Treasury's Living Standards Framework identifies 12 domains that contribute to how New Zealanders experience wellbeing. EECA's activities and programmes help to improve the listed domains.*

Our funding



We are funded by the Crown from the following four Energy and Resources appropriations within Vote Business, Science and Innovation. This Statement of Performance Expectations provides prospective information on what is intended to be achieved with these appropriations, what the expected cost will be and how performance will be assessed.

Energy Efficiency and Conservation

This appropriation is intended to achieve improvements in energy efficiency, energy conservation and use of renewable energy.

Each year EECA makes a request to the Minister of Energy and Resources seeking an appropriation of public money. The Crown recovers the cost of some of this funding through three levies: the Electricity Industry Levy (electricity levy); the Gas Safety, Monitoring and Energy Efficiency Levy (gas levy); and the Petroleum or Engine Fuel Monitoring Levy (petroleum levy).

Prior to making our request for 2019/20, we consulted stakeholder groups representing those affected by the levies on the proposed level of funding and the intended work programmes that will utilise the funds. The outcome of this consultation was reported to the Minister at the time the appropriations request was submitted.

Grant Scheme for Warm, Dry Homes

This appropriation is intended to achieve energy savings and health benefits for households through the Warmer Kiwi Homes scheme.

Implementation of the Grant Scheme for Warm, Dry Homes

This appropriation is intended to achieve the implementation of the Warmer Kiwi Homes grants scheme.

Crown Energy Efficiency

This appropriation is intended to achieve the delivery of energy efficiency savings in the public sector.

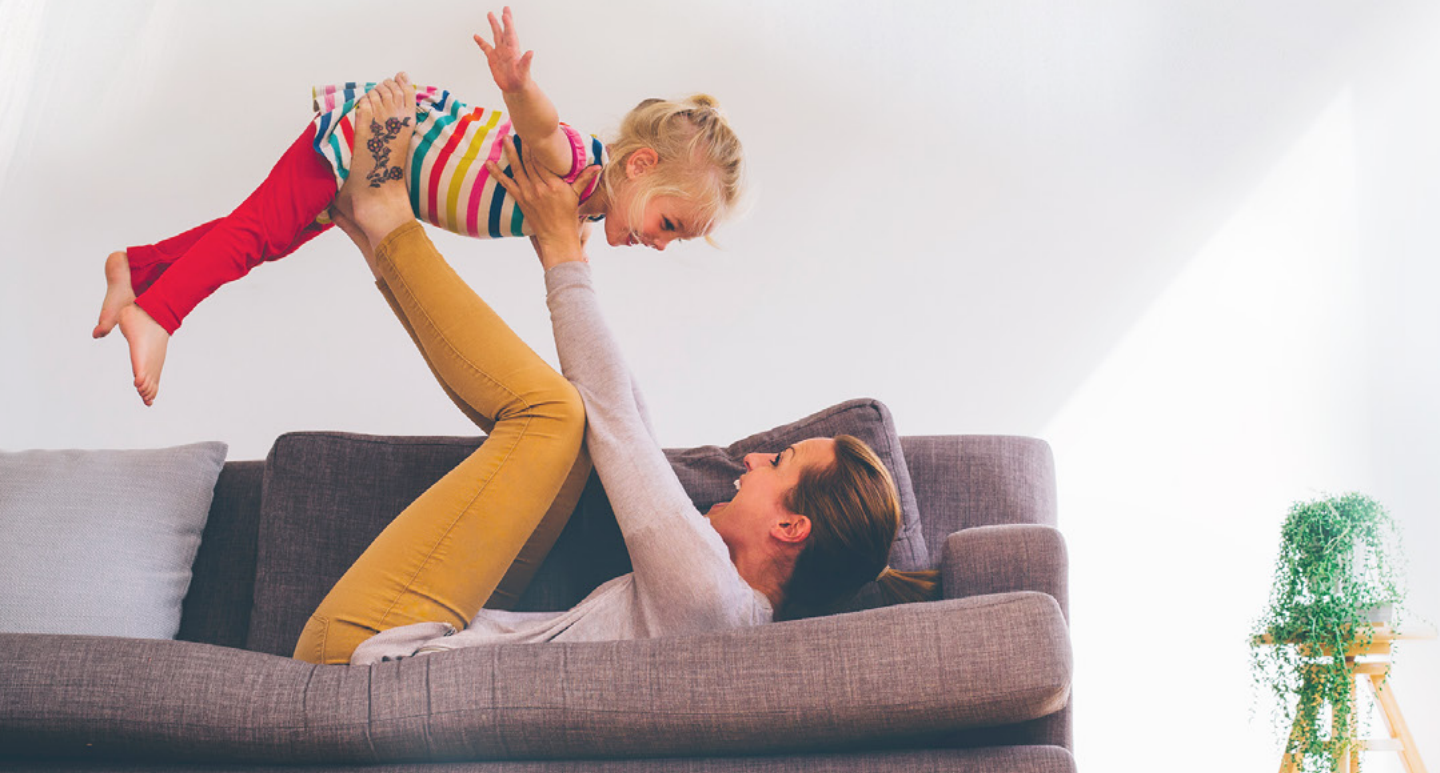


Table 1:
Budget for 2019/20 by Output Class

	Budget 2019/20						Forecast 2018/19
	Productive and low emissions business $000	Efficient and low emissions transport $000	Energy efficient homes $000	Government leadership $000	Engage hearts and minds $000	Total $000	Total $000
Operating revenue							
Energy Efficiency and Conservation							
Crown funding	7,005	3,037	3,267	606	1,233	15,148	16,584
Electricity levy funding	3,443	-	1,148	609	-	5,200	5,200
Gas levy funding	973	-	98	29	-	1,100	1,100
Petroleum levy funding	-	7,500	-	-	-	7,500	7,500
	11,421	10,537	4,513	1,244	1,233	28,948	30,384
Grant scheme for warm, dry homes	-	-	37,120	-	-	[a]37,120	18,381
Implementation of grant scheme for warm, dry homes	-	-	2,880	-	-	2,880	900
	11,421	10,537	44,513	1,244	1,233	68,948	49,665
Other revenue	1,075	-	-	-	-	1,075	1,236
Total operating revenue	**12,496**	**10,537**	**44,513**	**1,244**	**1,233**	**70,023**	**50,901**
Operating expenses							
Financial and industry support expenses	5,229	5,965	38,120	677	-	49,991	31,180
Other operating expenses	8,646	4,037	7,393	744	2,369	23,189	21,773
Total operating expenses	**13,875**	**10,002**	**45,513**	**1,421**	**2,369**	**73,180**	**52,953**
Surplus/deficit	**(1,379)**	**535**	**(1,000)**	**(177)**	**(1,136)**	**[b](3,157)**	**(2,052)**
Non-departmental capital expenses							
Crown Energy Efficiency	-	-	-	2,000	-	2,000	**2,000**
Total capital funding	-	-	-	**2,000**	-	**2,000**	**2,000**

[a] *The appropriation for 2019/20 will be $5 million greater than the amount shown here. A mistake was made through the 2019 March Baseline Update for the reprofiling of the budget for the Warmer Kiwi Homes programme. This will be corrected in the 2019 October Baseline Update.*

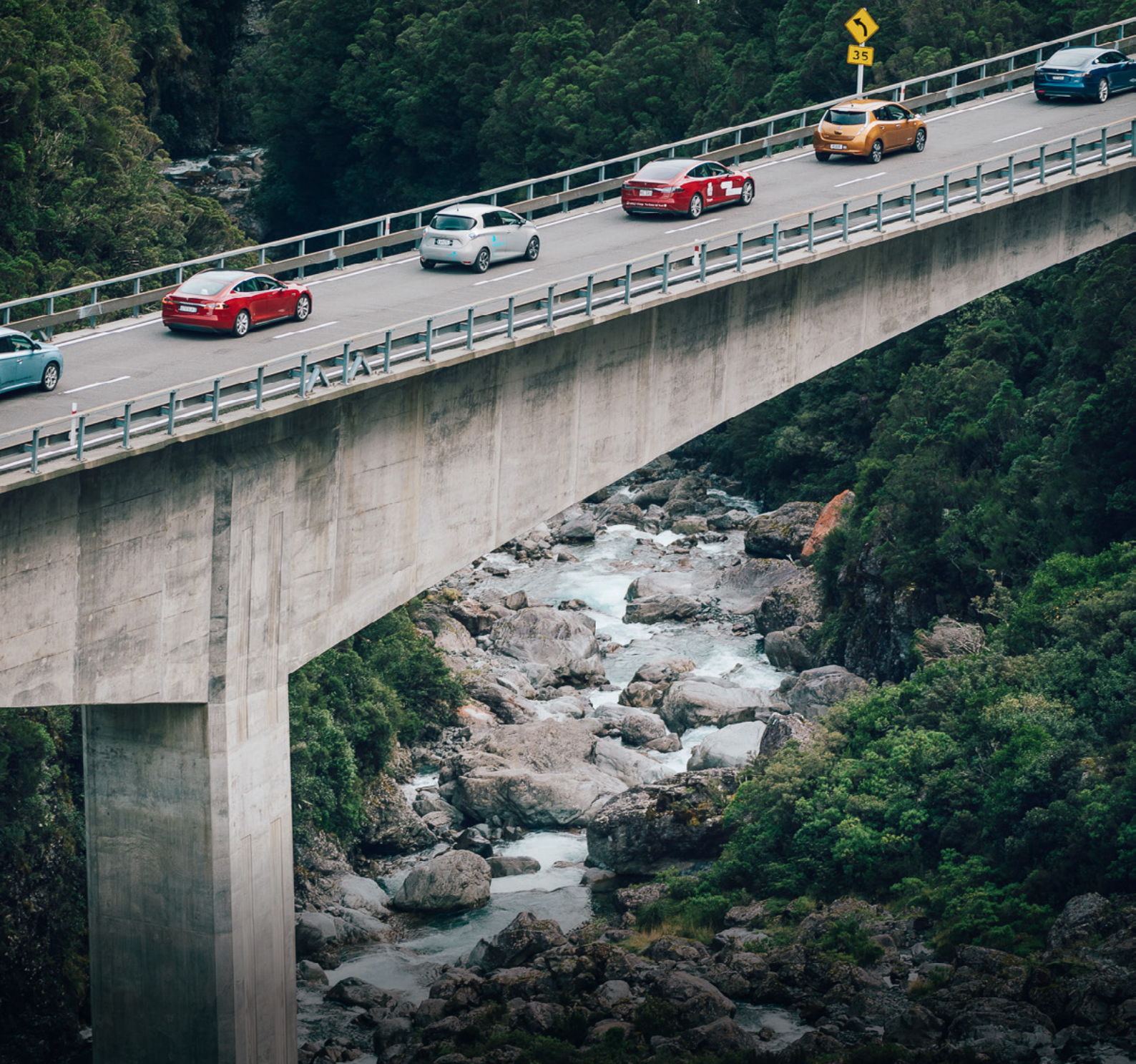
[b] *The budgeted deficit is made up of a reduction in committed retained earnings of $1.521 million for financial and industry support, a one-off reduction in Crown funding of $1.136 million and the deficit funding of the operating costs of the Low-Emission Vehicles Contestable Fund of $0.5 million to maximise available grants.*

Table 2:
Forecast capital expenditure

	Budget 2019/20 $000	Forecast 2018/19 $000
Information Technology	165	105
Office equipment, fittings and furniture	0	94
	165	199

Our strategic focus areas

In 2019/20 we will deliver activities in five strategic focus areas (output classes) to achieve the outcomes we seek. We have outlined how we intend to measure the success of these activities. This will enable the public, Parliament, Ministers and the Ministry of Business, Innovation and Employment (MBIE) to track our progress against the commitments made in our refreshed Statement of Intent (2018–2022). We will report against each of these measures in our 2019/20 Annual Report.



Productive and low-emissions business

Mobilising decision makers and technical experts to accelerate action

Why this matters

There are significant opportunities for businesses to increase their energy productivity and use of sustainable energy.

Businesses use 51% of New Zealand's energy, excluding transport, and generate 42% of our energy-related emissions[4].

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.

Process heat use represents the most significant stationary energy opportunity for improved energy productivity and emission reductions from the use of sustainable energy in the business sector[5].

What we are aiming to achieve

We want to reduce the business sector's impact on New Zealand's energy-related emissions and increase energy productivity. To achieve this, we are working towards the following outcomes.

1. EECA's client businesses demonstrate best practice, continuously improve their energy and emissions productivity and motivate other businesses to take action. To this end, in 2019/20 we will:

   a. Partner with large energy users in New Zealand to adopt strategic energy management, provide advice and technical assistance and share financial risk through co-investment consistent with our investment criteria. Our measures of success are:

      ✓ Co-invest $1.0 million in new multi-year strategic energy management initiatives.

      ✓ Partner project milestones are met as expected, enabling us to pay out $1.7 million in co-funding.

      ✓ Businesses save energy and reduce their energy-related emissions as a result of partnering with EECA.

   b. Use long-term account planning, which includes bespoke technical assistance, with New Zealand's largest emitters to support them in developing a customised transition pathway to the lowest emissions possible. Our measures of success are:

      ✓ Co-invest $0.7 million in new multi-year strategic energy management initiatives.

      ✓ Partner project milestones are met as expected, enabling us to pay out $0.5 million in co-funding.

      ✓ Deliver an emissions transition accelerator (ETA) programme to 10 significant carbon emitters.

[4] *EECA's Energy End Use Database (2016).*

[5] *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. It generally involves the use of coal, gas, wood or electricity.*

c. Identify new technologies to improve energy productivity and use of sustainable energy, including relating to the electrification of marine passenger vessels, and then test their applicability in New Zealand. Our measures of success are:

- ✓ Co-invest $2.0 million in technology demonstrations and/or pilots consistent with published investment criteria.
- ✓ Partner project milestones are met as expected, enabling us to pay out $1.3 million in co-funding.
- ✓ At least two technologies demonstrated through EECA-supported projects are adopted within a different sector, at a different scale or at a different location.

2. New Zealand businesses are continuously improving their energy productivity and using sustainable energy to contribute to New Zealand's emissions reduction target. To this end, in 2019/20 we will:

a. Work with Australian federal and state governments to administer and further develop minimum energy performance standards (MEPS) and mandatory energy performance labelling (MEPL) to improve adoption of efficient industrial and commercial products. Our measures of success are:

- ✓ Develop and administer MEPS/MEPL for 20 product classes, with an additional 6 under development.
- ✓ Complete a testing and survey programme for at least two product classes to assess performance against claims.

b. Deliver communications campaigns that demonstrate to businesses and business leaders the importance of reducing energy-related emissions. Our measures of success are:

- ✓ Percentage of businesses that consider climate change to be important / very important (baseline to be established 2019/20).
- ✓ Percentage of businesses that agree that the energy use and transport choices of businesses have an impact on climate change and are actively seeking to reduce their impact (baseline to be established 2019/20).

c. Partner with energy service providers and industry associations to assist New Zealand businesses to adopt strategic energy management, provide advice and technical assistance, and share financial risk through co-investment. Our measures of success are:

- ✓ Co-invest $0.9 million in new multi-year strategic energy management initiatives.
- ✓ Partner project milestones are met as expected, enabling us to pay out $1.4 million in co-funding.
- ✓ All energy service providers working with EECA receive relevant energy industry accreditation.

How much it will cost

	Budget 2019/20 $000
Operating revenue	
Energy Efficiency and Conservation	
Crown funding	7,005
Electricity levy funding	3,443
Gas levy funding	973
Petroleum levy funding	-
	11,421
Other revenue	1,075
Total operating revenue	**12,496**
Operating expenses	
Financial and industry support expenses	5,229
Other operating expenses	8,646
Total operating expenses	**13,875**
Surplus/deficit	**(1,379)**

Efficient and low-emissions transport

Switching the fleet to low-emissions technology while ensuring that any remaining fossil-fuelled vehicles are as efficient as possible

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 19% of New Zealand's total emissions each year and 48% of energy-related emissions[6].

There are significant improvements to be made using sustainable and efficient technologies, particularly electric vehicles. About three million tonnes of energy-related emissions can be avoided in 12 years by making economically feasible changes to how we move around[7]. 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.

What we are aiming to achieve

We want New Zealanders to have their transport needs met using significantly less, and cleaner, energy. This involves the light fleet becoming more energy and emissions efficient. To achieve this, we are working towards the following outcomes.

1. More New Zealanders choose a low-emissions vehicle over a fossil-fuelled vehicle and have a good experience using it. To this end, in 2019/20 we will:

    a. Develop and provide New Zealanders with independent and authoritative information that dispels myths and motivates people to improve their transport choices. We will also use the most relevant channels to reach those most likely to consider an electric vehicle as their next vehicle. Our measures of success are:

    - ✓ At least 35% of people surveyed say they are likely to consider an electric vehicle as their next car purchase.
    - ✓ At least 58% of people surveyed report that they are favourable towards electric vehicles.

    b. Support early and innovative investment in low-emissions vehicles by sharing the financial risk. We will also manage the project completion of prior year government investment due for maturity in 2019/20 year. Our measures of success are:

    - ✓ Co-invest $7.0 million in new low-emissions vehicle initiatives that are consistent with the investment criteria.
    - ✓ Partner project milestones are met as expected, enabling us to pay out $6.0 million in co-funding.
    - ✓ For projects completed in 2019/20, at least 95% deliver anticipated results.

2. People who do not buy a low-emissions vehicle choose a more efficient fossil-fuelled vehicle. To this end, in 2019/20 we will:

    a. Provide New Zealanders with point-of-sale information on vehicle fuel economy. Our measures of success are:

    - ✓ The fuel efficiency data that EECA is obliged to provide vehicle dealers for display is available at least 98% of the time on the relevant websites.
    - ✓ 90% of cars on car yards have a vehicle fuel economy label available. Of these, 95% of new cars, and 90% of used cars, have the label correctly displayed.

[6] *New Zealand's Greenhouse Gas Inventory 1990–2016, Ministry for the Environment (2018).*

[7] *EECA's Economic Energy Potentials Tool 2016.*

How much it will cost

	Budget 2019/20 $000
Operating revenue	
Energy Efficiency and Conservation	
Crown funding	3,037
Electricity levy funding	-
Gas levy funding	-
Petroleum levy funding	7,500
	10,537
Other revenue	-
Total operating revenue	**10,537**
Operating expenses	
Financial and industry support expenses	5,965
Other operating expenses	4,037
Total operating expenses	**10,002**
Surplus/deficit	**535**

Energy efficient homes

Optimising New Zealanders' use of renewable energy through energy efficient homes, technologies and behaviours

Why this matters

Encouraging New Zealanders to improve the energy efficiency of 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 accounts for 6% of New Zealand's total energy-related emissions[8]. It has a large number of small consumers and the dominant energy source is our highly renewable electricity system. Nevertheless, more than $440 million could be saved each year by improving the quality of our housing and energy efficiency in our homes[9].

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.

What we are aiming to achieve

We aim to optimise New Zealand's use of sustainable energy by mobilising New Zealanders to choose more energy efficient technologies and behaviours in their homes. Through influencing peak electricity use we will contribute to the affordability and reliability of the electricity system and reduced emissions. We are working towards the following outcomes.

1. Households consume electricity more efficiently to reduce peak loading on infrastructure. To this end, in 2019/20 we will:

    a. Work with Australian federal and state governments to administer and further develop minimum energy performance standards (MEPS) and mandatory energy performance labelling (MEPL) to improve adoption of efficient residential products. Our measures of success are:

        ✓ Develop and administer MEPS/MEPL for 15 product classes, with an additional one under development.

        ✓ Complete a testing and survey programme for at least two product classes to assess performance against claims.

    b. Deliver new initiatives aimed at reducing peak demand. Our measure of success is:

        ✓ Investigate the case for the replacement of all household lighting to LEDs.

2. More New Zealanders live in energy efficient homes and make informed choices on energy efficient technologies and behaviours. To this end, in 2019/20 we will:

    a. Provide subsidies for insulation and heating retrofits for low-income households to achieve energy savings and multiple other benefits. Our measures of success are:

        ✓ Co-invest $37.1 million in insulation and heating retrofits in qualifying homes.

        ✓ At least 16,000 insulation or heating retrofits are installed in qualifying homes.

        ✓ At least 95% of sampled retrofits comply with the installation standard.

    b. Identify an effective mechanism for delivering subsidised LED lighting to low-income households to improve their energy efficiency (and reduce this household cost) as well as reducing peak demand. Our measure of success is:

        ✓ Trial and evaluate at least one delivery mechanism for providing LED lighting to low-income households.

    c. Provide independent and authoritative information that enables New Zealanders to make informed decisions on energy-related technologies and behaviours. Our measures of success are:

        ✓ At least 25% of people surveyed say most or virtually all of their lighting is LEDs.

        ✓ Percentage of people that say they consider energy efficiency when buying whiteware or large appliances (baseline to be established in 2019/20).

[8] *Excluding private transport. Source: New Zealand's Greenhouse Gas Inventory 1990–2016, Ministry for the Environment (2018).*

[9] *EECA's Economic Energy Potentials Tool 2016.*

How much it will cost

	Budget 2019/20 $000
Operating revenue	
Energy Efficiency and Conservation	
Crown funding	3,267
Electricity levy funding	1,148
Gas levy funding	98
Petroleum levy funding	-
	4,513
Grant scheme for warm, dry homes	[c]37,120
Implementation of grant scheme for warm, dry homes	2,880
	44,513
Other revenue	-
Total operating revenue	**44,513**
Operating expenses	
Financial and industry support expenses	38,120
Other operating expenses	7,393
Total operating expenses	**45,513**
Surplus/deficit	**(1,000)**

[c] *The appropriation for 2019/20 will be $5 million greater than the amount shown here. A mistake was made through the 2019 March Baseline Update for the reprofiling of the budget for the Warmer Kiwi Homes programme. This will be corrected in the 2019 October Baseline Update.*

Government leadership

Equipping the public sector to innovate and lead the transition to clean and clever energy use

Why this matters

The Government has signalled a desire to demonstrate leadership in energy productivity and the use of sustainable energy.

Buildings owned or operated by the public sector (such as hospitals, schools, universities, prisons and offices) use around 3.1% (18.0 PJ) of New Zealand's total energy use and generate approximately 2.5% (778,000 tCO_2e) of energy-related emissions[10].

The public sector is also the owner of large transport fleets, owning over 26,000 vehicles that in the future will supply the second-hand market. As such, the adoption of new technologies in the public sector light fleet can contribute to a reduction in national transport emissions over time.

Through effective policies and modelling of clean and clever energy use, the public sector can demonstrate wise management of public resources, support sustainable development objectives and influence a wide range of New Zealanders to follow suit.

What we are aiming to achieve

We aim to support the state sector to innovate and lead the transition to clean and clever energy use in New Zealand. To achieve this, we are working towards the following outcomes.

1. The state sector is an exemplar in improving its energy productivity and reducing its energy-related emissions. To this end, in 2019/20 we will:

    a. Partner with the largest energy users in the state sector to adopt strategic energy management, provide advice and technical assistance, and share financial risk through co-investment and loans consistent with our investment criteria. Our measures of success are:

    - ✓ Co-invest $0.5 million in new multi-year strategic energy management initiatives.
    - ✓ Partner project milestones are met as expected, enabling us to pay out $0.7 million in co-funding.
    - ✓ $2 million in loan funding is provided to finance capital investment in energy efficient technologies and/or switching to sustainable energy sources in accordance with the investment criteria.
    - ✓ Agencies save energy and reduce their energy-related emissions as a result of partnering with EECA.

2. State services implement energy policy and programmes to accelerate the transition to clean and clever energy use in New Zealand. To this end, in 2019/20 we will:

    a. Work across government to develop policy and programme options to encourage clean and clever energy use in New Zealand. Our measure of success is:

    - ✓ EECA's contribution is reflected in future policy documents related to the transition to a low-emissions economy.

[10] *EECA's Energy End Use Database 2016; New Zealand's Greenhouse Gas Inventory 1990–2016 (2018), Ministry for the Environment; Guidance for Voluntary Greenhouse Gas Report 2016, Ministry for the Environment.*

How much it will cost

	Budget 2019/20 $000
Operating revenue	
Energy Efficiency and Conservation	
Crown funding	606
Electricity levy funding	609
Gas levy funding	29
Petroleum levy funding	-
	1,244
Other revenue	-
Total operating revenue	**1,244**
Operating expenses	
Financial and industry support expenses	677
Other operating expenses	744
Total operating expenses	**1,421**
Surplus/deficit	**(177)**
Non-departmental capital expenses	
Crown Energy Efficiency	2,000
Total capital funding	**2,000**

Engage hearts and minds

Fostering a society in which sustainable energy is expected and demanded

Why this matters

We all make decisions about how we use energy. Energy is used to produce all of the goods and services we buy. Tapping into the multiple benefits that the more efficient use of sustainable energy can deliver requires collective action.

The majority of New Zealanders agree that climate change is happening, yet most acknowledge they are doing very little about it, according to research commissioned by EECA in 2018. For New Zealanders to start taking the significant action required to make a difference to the country's emissions, much more must be done to engage our businesses, communities and individuals.

We are developing communications campaigns to motivate New Zealanders to expect and demand goods and services with a lighter carbon footprint, and to take action to reduce their own energy-related emissions.

We aim to help people contribute to the overall change they want to see, by supporting them in their understanding of how their individual energy-related choices can collectively make a powerful difference.

We also aim to help New Zealanders experience and recognise the multiple benefits that the efficient use of sustainable energy delivers for their own lives. This includes reduced energy costs and improved quality of energy services, health and wellbeing, mobility, cleaner urban and natural environments and economic opportunity. By doing so, we aim to increase the priority placed on energy efficiency and sustainable energy as tools for achieving other, broader, personal and social outcomes.

What we are aiming to achieve

We want to mobilise New Zealanders to choose clean and clever energy in whatever role they play in our society: parent, employee, business owner, shareholder, consumer of goods and services. To achieve this, we are working towards the following outcomes.

1. New Zealanders feel that the way they use energy positively contributes to achieving New Zealand's climate change commitments. To this end, in 2019/20 we will:

    a. Deliver a public communications campaign that will elevate the importance of reducing energy-related greenhouse gas emissions. Our measures of success are:

    - ✓ Percentage of New Zealanders who consider climate change to be important (baseline to be established 2019/20).
    - ✓ Percentage of people who agree we need to consider all solutions to climate change, even if they mean a change to our current lifestyle, and are prepared to change their behaviour (baseline to be established 2019/20).

2. New Zealanders expect and demand energy-related products and services based on their energy efficiency and sustainability. To this end, in 2019/20 we will:

    a. Deliver communications campaigns that highlight effective actions to reduce energy-related greenhouse gas emissions. Our measure of success is:

    - ✓ Percentage of people who agree that our energy use, transport choices and purchasing actions have an impact on climate change (baseline to be established 2019/20).

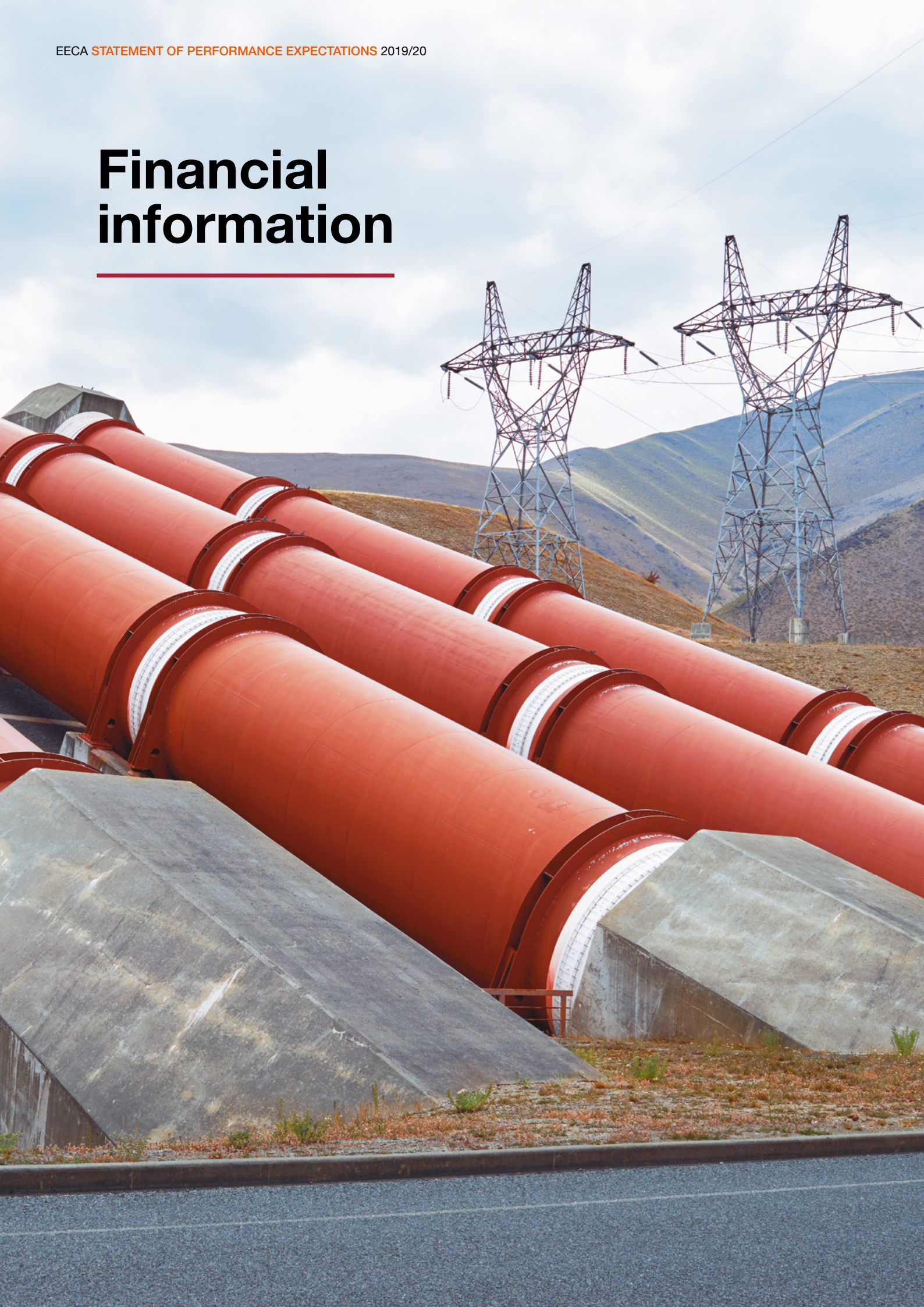
Future opportunities

The Minister of Energy and Resources has asked us, in the 2019/20 Letter of Owner's Expectations, to consider the role we could play in supporting communities to understand and select the most effective energy solutions for their circumstances, and to develop renewable energy and energy efficiency projects. In 2019/20, we will provide advice to the Minister on this matter.

How much it will cost

	Budget 2019/20 $000
Operating revenue	
Energy Efficiency and Conservation	
Crown funding	1,233
Electricity levy funding	-
Gas levy funding	-
Petroleum levy funding	-
	1,233
Other revenue	-
Total operating revenue	**1,233**
Operating expenses	
Financial and industry support expenses	-
Other operating expenses	2,369
Total operating expenses	**2,369**
Surplus/deficit	**(1,136)**

Financial information



Financial Statements

Table 3:
Statement of forecast comprehensive revenue and expense

	Forecast 2018/19 $000	Budget 2019/20 $000
Revenue		
Funding from the Crown	49,665	68,948
Interest revenue	790	700
Other revenue	446	375
Total revenue	**50,901**	**70,023**
Expenditure		
Personnel	9,778	10,544
Financial and industry support	31,180	49,991
Other operating expenses	11,884	12,505
Depreciation and amortisation expense	111	140
Total expenditure	**52,953**	**73,180**
Net surplus/(deficit)	**(2,052)**	**(3,157)**
Other comprehensive revenue and expense	**-**	**-**
Total comprehensive revenue and expense	**(2,052)**	**[d](3,157)**

The accompanying notes form part of these financial statements

[d] *The budgeted deficit is made up of a reduction in committed retained earnings of $1.521 million for financial and industry support, a one-off reduction in Crown funding of $1.136 million and the deficit funding of the operating costs of the Low-Emission Vehicles Contestable Fund of $0.5 million to maximise available grants.*

Table 4:
Statement of forecast financial position

	Forecast 2018/19 $000	Budget 2019/20 $000
Assets		
Current assets		
Cash and cash equivalents	4,306	4,566
Receivables	1,178	500
Investments	20,000	19,000
Prepayments	200	200
Crown loan debtors	1,700	1,700
Total current assets	**27,384**	**25,966**
Non-current assets		
Crown loan debtors	3,100	3,100
Property, plant and equipment	190	149
Intangibles	165	231
Total non-current assets	**3,455**	**3,480**
Total assets	**30,839**	**29,446**
Liabilities		
Current liabilities		
Payables	4,400	6,100
Employee entitlements	561	662
Crown loan creditors	1,700	1,700
Lease incentives	57	57
Provisions	70	120
Total current liabilities	**6,788**	**8,639**
Non-current liabilities		
Crown loan creditors	3,100	3,100
Employee entitlements	150	120
Lease incentives	395	338
Provisions	-	-
Total non-current liabilities	**3,645**	**3,558**
Total liabilities	**10,433**	**12,197**
Net assets	**20,406**	**17,249**
Equity		
Contributed capital	545	545
Accumulated surplus/(deficit)	19,861	16,704
Total equity	**20,406**	**17,249**

The accompanying notes form part of these financial statements

Table 5:
Statement of forecast changes in equity

	Forecast 2018/19 $000	Budget 2019/20 $000
Opening equity	**22,458**	**20,406**
Total comprehensive revenue and expense	**(2,052)**	**(3,157)**
Closing equity	**20,406**	**17,249**
Analysis of closing equity		
Contributed capital	545	545
Accumulated surplus/(deficit) – financial and industry support commitments	11,913	12,392
Accumulated surplus/(deficit) – other	7,948	4,312
	20,406	**17,249**

The accompanying notes form part of these financial statements

Table 6:
Statement of forecast cash flows

	Forecast 2018/19 $000	Budget 2019/20 $000
Cash flows from operating activities		
Receipts from the Crown	50,942	69,626
Receipts from other revenue	446	375
Interest received	790	700
Payments to employees	(9,920)	(10,473)
Payments to suppliers	(11,906)	(12,512)
Financial and industry support payments	(31,453)	(48,291)
Net cash flows from operating activities	**(1,101)**	**(575)**
Cash flows from investing activities		
Receipts from sale of investments	80,000	68,000
Receipts from sale of property, plant and equipment	-	-
Purchase of property, plant and equipment	(94)	(25)
Purchase of intangible assets	(105)	(140)
Purchase of investments	(79,848)	(67,000)
Net cash flows from investing activities	**(47)**	**835**
Cash flows from financing activities		
Receipts from the Crown – loan funding	2,000	2,000
Loan repayments received	2,029	2,000
Payments to the Crown – loan repayments	(2,000)	(2,000)
Loans provided	(2,029)	(2,000)
Net cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	**(1,148)**	**260**
Cash and cash equivalents at the beginning of the year	5,454	4,306
Cash and cash equivalents at the end of the year	**4,306**	**4,566**

The accompanying notes form part of these financial statements

Statement of Accounting Policies

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.

These prospective financial statements allow the Minister of Energy and Resources to consider our funding requirements and planned performance for 2019/20. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented here, and that the variations may be material.

The prospective financial statements were authorised for issue by the Board on 28 May 2019.

Basis of preparation

The prospective financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the periods covered.

Statement of compliance

The prospective 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 prospective financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with PBE FRS42 Prospective Financial Statements.

The prospective financial statements for the year ended 30 June 2019 will be used in the Annual Report as the budgeted figures.

Presentation currency and rounding

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

Significant assumptions

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

Summary of significant accounting policies

Revenue

Funding from the Crown

EECA is primarily funded by 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 using the effective interest method.

Financial and industry support

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.

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.

Cash and cash equivalents

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

Receivables

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

Investments

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

Crown loans

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.

Property, plant and equipment

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

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 to 6 years	40% to 16.67%
Furniture and fittings	6 years	16.67%
Leasehold improvements	2 to 6 years	50% to 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.

Intangibles

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

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% to 20%

Impairment of property, plant and equipment and intangible assets

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.

Payables

Short-term payables are recorded at their face value.

Employee entitlements

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.

Sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount calculated is based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

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; and
- 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.

Provisions

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.

Equity

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).

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, then it is recognised as part of the related asset or expense.

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

The net GST paid to, or received from, the IRD, 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.

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 which 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 methodology since the date of the last audited financial statements.

Glossary

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.

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.

Fossil fuels – includes coal, natural gas, LPG, crude oil, 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.

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.

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.

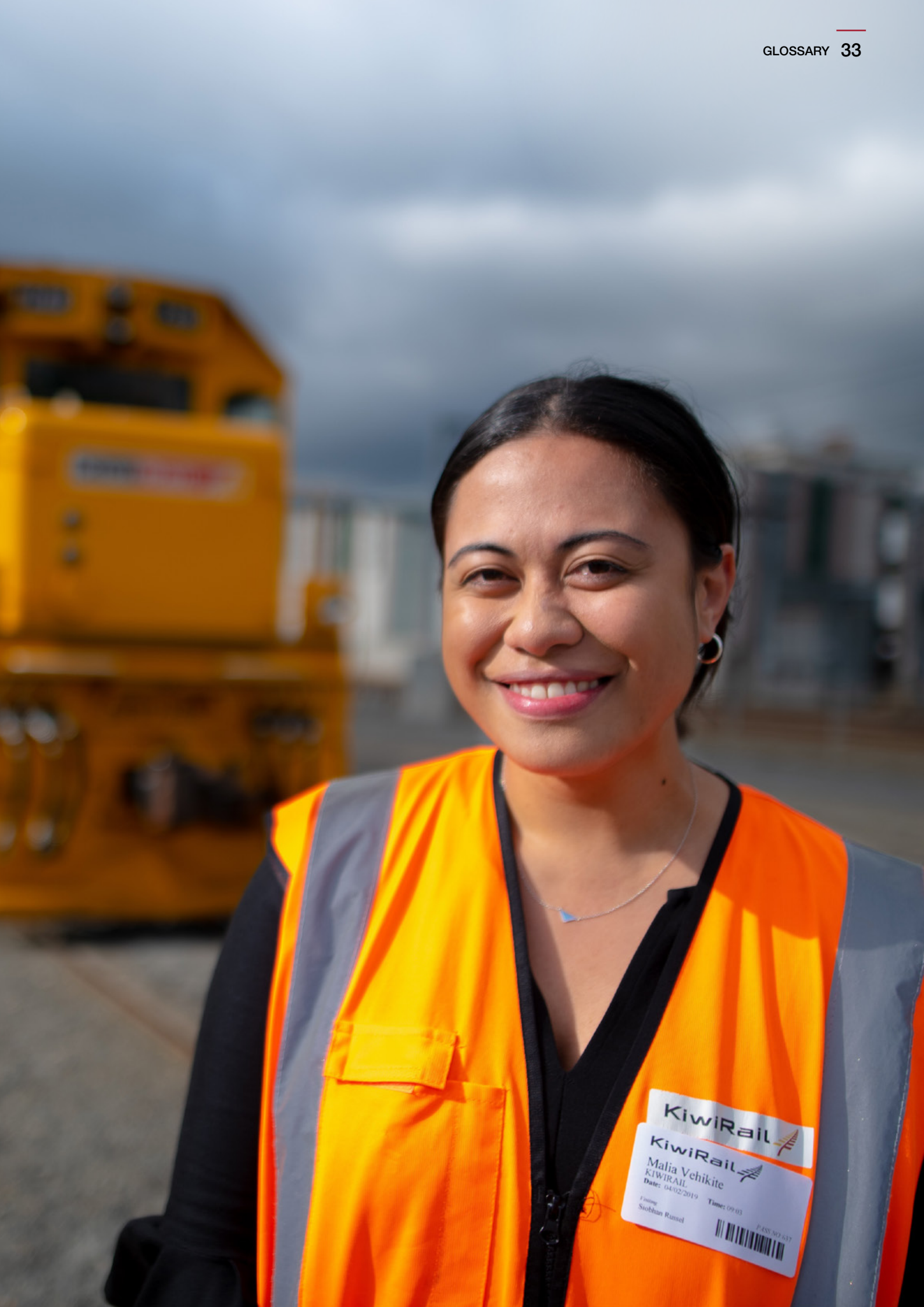
Renewable energy – energy produced from hydro, geothermal, biomass, wind, solar and marine sources.

State sector – within the state sector lies the state services, and within this lies the core public service.

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 – 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.

Warmer Kiwi Homes – the Government's four-year insulation and heating grants programme announced as part of Budget 2018. The focus in 2019/20 is on insulation for low-income households, with grants for heating available from 1 July 2019.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