

NEW ZEALAND: PLEDGE AND REVIEW STATEMENT

FOR APEC EWG 23: BANGKOK; THAILAND

Report on the Crown Energy Efficiency Loan Scheme

Introduction to the Pledge

1 The New Zealand Government recognises that there are various barriers to the uptake of energy efficiency and renewable energy. Under the Energy Efficiency and Conservation Act 2000, the Government funds the Energy Efficiency and Conservation Authority (EECA) to advise on and implement a range of policies to promote energy efficiency and renewable energy. Many of EECA's programmes involve the dissemination of information to consumers. EECA also runs energy efficiency facilitation programmes and these include the Crown Energy Efficiency Loans Scheme (CEELS). This report updates EWG members on the scheme's effectiveness.

Background to the Scheme

2 EECA lends money to central and local government agencies through CEELS to enable them to carry out energy efficiency measures in their buildings, facilities, and vehicle fleets. At present, many public sector organisations do not give priority to funding cost effective energy projects. The scheme is designed to counter the commonly cited reasons for not implementing energy efficient measures, which are:

- Funds are available for immediate needs (such as books and medical equipment) but may not be available for capital works;
- Energy efficiency capital works receive lower priority compared with other capital works;
- Borrowing from commercial sources is difficult; and
- Energy efficiency is not well understood and is considered 'high risk'. (EECA's technical review of projects provides the potential borrower with some reassurance that projected returns will be realised.)

3 The loans are repaid over a period of 3-5 years, after which the savings accrue to the recipient for the remaining life of the project. For the Government the cost is only the foregone interest on the amount of the loan. EECA's costs for running the scheme are recovered by an administration fee charged to loan recipients.

Savings

4 Since its inception, in 1989, the scheme has advanced a total of NZ\$13.7 million to fund 170 energy savings projects. As at March 2002 it is estimated that savings of \$4 million per annum (more than 2% of New Zealand public sector energy costs) are being achieved by projects funded by the Scheme. Of this, about \$3 million is in direct energy cost savings with the remaining \$1 million being saved in related costs, such as maintenance.

5 The ongoing energy savings from these projects are estimated to be almost 40 million kWh per annum - equivalent to the amount of energy consumed annually by about 3,500 houses. Reductions in carbon dioxide emissions from projects funded are estimated at 21,000 tonnes a year - equivalent to removing some 8,000 cars from New Zealand roads.

6 Most projects funded by the Scheme have improved levels of comfort and service. Projects have also reduced the demand for energy supply infrastructure; for example, the effective capacity reduction on the electricity network is estimated at about 6MW. The estimated annual energy and carbon dioxide emissions savings from the Scheme since inception have stabilised in recent years because it is assumed that earlier projects have reached the end of their life.

Current projects

7 During the 2000/01 financial year, ten loans totalling almost \$1 million were made to eight public sector organisations. This resulted in estimated cost savings of about \$270,000 per annum. The average simple payback period for projects funded during the year, based on energy savings, is 4 years. The average payback period for these projects, taking account of all other savings, is 3.7 years.

8 Over 50% of the funding was used in the education and local government sectors. Four of the five education sector loans were to schools and one loan was to a polytechnic.

Evaluation/Issues

9 EECA undertakes an engineering check of energy and cost savings estimates by consultants, product suppliers, and clients at the time of loan applications. Selected projects are then monitored to check estimated savings and to provide case study material.

10 Many organisations still do not give priority to funding cost effective energy projects. Scarce capital funding is used to address areas of immediate need. Projects that are seen to be worthwhile but have a lesser priority than core business activities (such as building maintenance and services upgrades) can be funded by the Scheme.

11 Loan enquiries have increased in the latter part of the 2000/01 year, seemingly as a result of an awareness of increasing electricity prices. Previously the drop in gas and electricity prices had resulted in many administrations focusing on reducing prices paid for energy rather than energy consumption itself.

12 EECA has noted that organisations that have dedicated energy managers tend to be larger users of the Scheme.

13 EECA is confident that all funding advanced in the 200/01 financial year was for projects that would have been delayed, would not have proceeded at all, or would have proceeded in a less energy efficient form.

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