



Aide Memoire: State sector decarbonisation and sustainability

To:	Hon Chris Hipkins, Minister of Education		
Date:	11 February 2020	Priority:	Medium
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Purpose of Report

The purpose of this paper is to support your meeting with the Minister of Energy and Resources, Hon Dr Megan Woods on Thursday 13 February 2020 about the State Sector Decarbonisation programme. Officials will be available to support you at this meeting.

It is recommended that you:

- **note** that the Energy Efficiency and Conservation Authority has prepared the attached briefing on State Sector Decarbonisation with input from the Ministry of Education. The briefing provides more detailed information to support your meeting with Hon Woods.
- **note** that a tagged capital contingency of \$200 million has been set aside to fund projects that support state sector decarbonisation.
- **note** funding for State Sector Decarbonisation will be on a first-come-first-served basis, with applications recommended to the Minister of Finance and Minister for Climate Change by an inter-department group of officials.
- **note** that the Minister of Finance and Minister for Climate Change have joint authority to draw down the \$200 million in tagged capital contingency funding, in consultation with the Minister of Energy and Resources.
- **note** the Ministry of Education agrees with the focus on heating, particularly coal boilers, which are the key source of energy emissions across the Education sector.
- **note** the Ministry of Education intends to apply for funding to run a central programme of coal boiler replacements.

Comment

- The attached Energy Efficiency and Conservation Authority (EECA) briefing provides an update and background information on EECA and the Ministry's State Sector Decarbonisation and environmental work. This is to support your meeting on Thursday 13 February 2020 with the Minister of Energy and Resources, Hon Dr Megan Woods.
- The Ministry has previously provided you with advice on State Sector Decarbonisation and the associated Budget 2020 bid titled, *Support for decarbonisation in the State sector through funding assistance to deliver low emissions energy investments* (METIS 1218022 refers).
- The Minister of Finance and Minister for Climate Change have joint authority to draw down the \$200 million in tagged capital contingency funding, in consultation with the Minister of Energy and Resources. Projects will be recommended to Ministers by an inter department group comprising officials from relevant agencies, including the Treasury, MBIE, EECA and the Ministry for the Environment.
- The Ministry supports the focus on heating projects, since heating is the largest source of public sector emissions and is therefore an opportunity for significant reductions. The Ministry is also keen to ensure that schools receive an appropriate package of funding, which reflects the level of school boiler emissions within the public sector.
- The Ministry intends to apply for funding to operate a coal boiler replacement programme on behalf of schools. This is because it would be time consuming for both the Ministry and schools to propose individual projects to officials. The Ministry could also achieve economies of scale and prompt deployment of funds by 'packaging up' clusters of boiler replacement projects.
- The Ministry is actively working with EECA to identify the coal boilers across our portfolio that are approaching end of life, and looking to develop an indicative programme of investment to replace all coal boilers in schools over the next four years.
- As a first step, EECA has recommended an initial focus on the approximately 90 school coal boilers estimated to have a remaining life of less than 5 years. This would represent an initial investment of approximately \$50 million. Additional packages of investment would then be developed for consideration by Ministers and officials on a similar basis.


Budget 2020 Implications

- MBIE have revised the *Support for decarbonisation in the State sector* Budget 2020 bid.
- This bid originally sought s 9(2) in capital and s 9(2) in operating to fund low emission investments across the state sector. This included ring-fenced funding for a programme of work through Vote Education to replace coal boilers in schools s 9(2)(g) in capital and s 9(2) in operating). The bid has now been amended in light of the \$200m Capital Investment Package announcement.
- The bid is now seeking operating funding for capital charge and depreciation associated with the \$200m in capital. It is also seeking additional operating funding to operationalise a Ministry-led school coal boiler replacement programme.

- The bid also seeks out-year capital funding, on top of the \$200m already announced, to support state sector decarbonisation efforts. This capital funding reflects the balance of what was originally being sought in the bid, prior to the Minister of Finance's announcement of \$200m for decarbonisation.

Suggested key talking points

- \$200m of capital is being held in tagged contingency for the State Sector Decarbonisation Programme. EECA has previously signalled that this funding is likely to be 'notionally ring-fenced' between agencies, based on their overall emissions profile. Education is a significant emitter relative to other agencies, so a coal boiler replacement programme in schools has the potential to make a significant impact on overall state sector emissions.
- MBIE is taking forward a Budget 2020 bid seeking operating funding for capital charge and depreciation associated with the \$200m in capital. The bid is also seeking operating funding to allow the Ministry to operate a coal boiler replacement programme. The success of this bid will have implications for the Ministry's ability to deliver a comprehensive coal boiler replacement programme.

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Kim Shannon
Head of Education Infrastructure

12/2/2020



Hon Chris Hipkins
Minister of Education

13/2/20