

24 July 2008

**BRIEFING NOTE TO SHAREHOLDING MINISTER**  
**SENZ FUNDING FOR NZIER REPORT ON EMISSIONS TRADING SCHEME**

**Purpose**

The Shareholding Minister has asked SENZ to advise how much it has paid NZIER for work related to economic analysis of the NZETS.

**Background**

1. The NZIER report on economic analysis of the NZETS was presented to the Select Committee hearing submissions on the Bill on 14 May.
2. SENZ publicly acknowledged from when the NZIER report was first released and presented to the Committee that it had provided some funding for NZIER's economic analysis. NZIER stated this in response to the Committee asking who had supported the work. Since at that time no-one else had given authority to NZIER for their names to be released NZIER did not identify any other external funding sources at that time.
3. It has been suggested by the on-line website "Carbon News" that:
  - The NZIER report had "secret" funders and backers (*repeated allegation*)
  - SENZ had secretly funded NZIER research (*Carbon News, 3 July*)
  - SENZ's funding of this or related work looked to have cost "several million" dollars (*Carbon News, 3 July*)

**Costs of NZIER economic analysis**

SENZ asked NZIER for further information to assist in providing a full answer to the Minister's question. NZIER has advised SENZ that:

1. It has been doing analysis and modelling work related to the ETS and NZ climate change policy for about a year, both as internal research work and for a range of clients
2. Around October last year, working with Business New Zealand, it approached government and proposed to work with government to carry out definitive economic modelling work, building on its existing in house general equilibrium model. The enhanced model would be significantly more detailed and capable than any existing economic model in NZ and would be available to government and others to assist in analysing ETS options, details and other related policy options. NZIER advise that this proposal was turned down.
3. Around that time NZIER's Board approved release of around \$200,000 from its reserves to continue this model development until further funding could be found.
4. The total cost of work done on this economic analysis is now about \$1M, plus "in-kind" industry contributions of about \$300,000, totalling about \$1.3M.
5. This has consisted of core development and enhancement of the general equilibrium model, analysis of the ETS for a range of ETS options and under a range of scenarios, and analysis of a number of specific areas and issues related to this.

**Funding of this \$1.3M**

NZIER advise that of the total cost of \$1.3M for all the work carried out:

- About \$200,000 was funded from internal NZIER reserves
- About \$1,100,000 was funded by a range of companies and organisations, including Government departments. Some of these sought specific additional analysis for their own purposes and others contributed towards the overall development of the model, both in cash and in kind through contributions at a number of consultation workshop sessions held with industry, union representatives and government.

**SENZ contribution**

Of the total estimated cost of about \$1.3M for all work associated with NZIER's economic analysis and modelling related to the NZETS, SENZ has paid ~\$140,000 in cash and has made an additional in-kind contribution through attendance of about \$10,000 through consultation workshops.

This funding was done to enable SENZ to have access to NZIER's detailed analysis and results as part of SENZ's ongoing work to best understand optimum climate change response options for our business.