

Accelerating business towards a low emissions future

The future of the GIDI Programme

Andrew Caseley – NZGA Winter Seminar
(Taupo – 28 July 2022)

Accelerating business towards a low emissions future

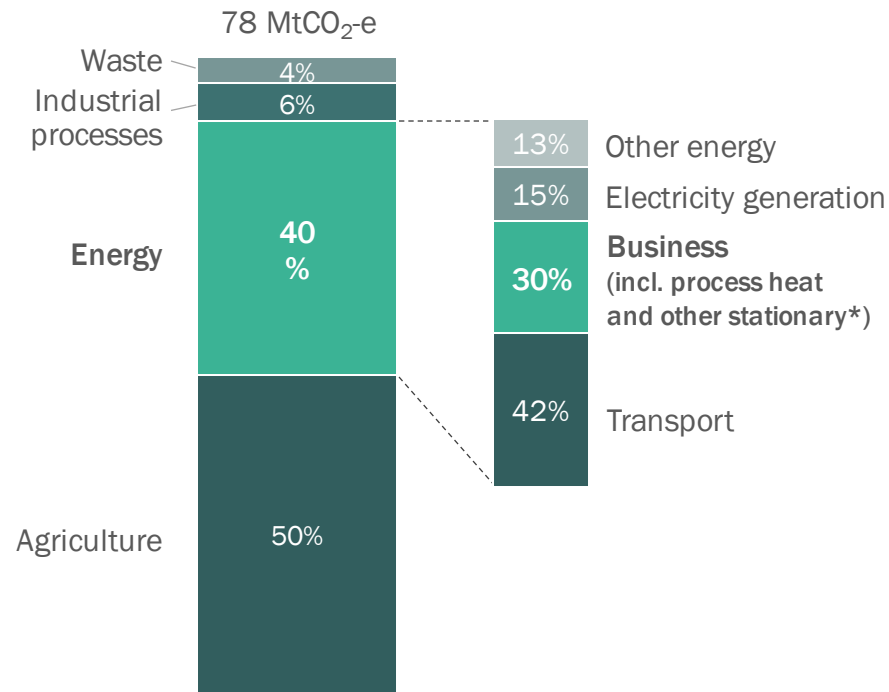
Today I will cover:

1. NZ's Emissions Reduction Plan & the criticality of focusing on process heat
2. Cost as a barrier: why should government /taxpayers help NZ businesses financially?
3. Outcomes of the Government Investment in Decarbonising Industry Fund 1.0 (GIDI)
4. Introducing GIDI 2.0: scaled up & more inclusive co-investment
 - What's the same?
 - What's different?
5. EECA's other levers
6. Next steps for businesses and NZGA



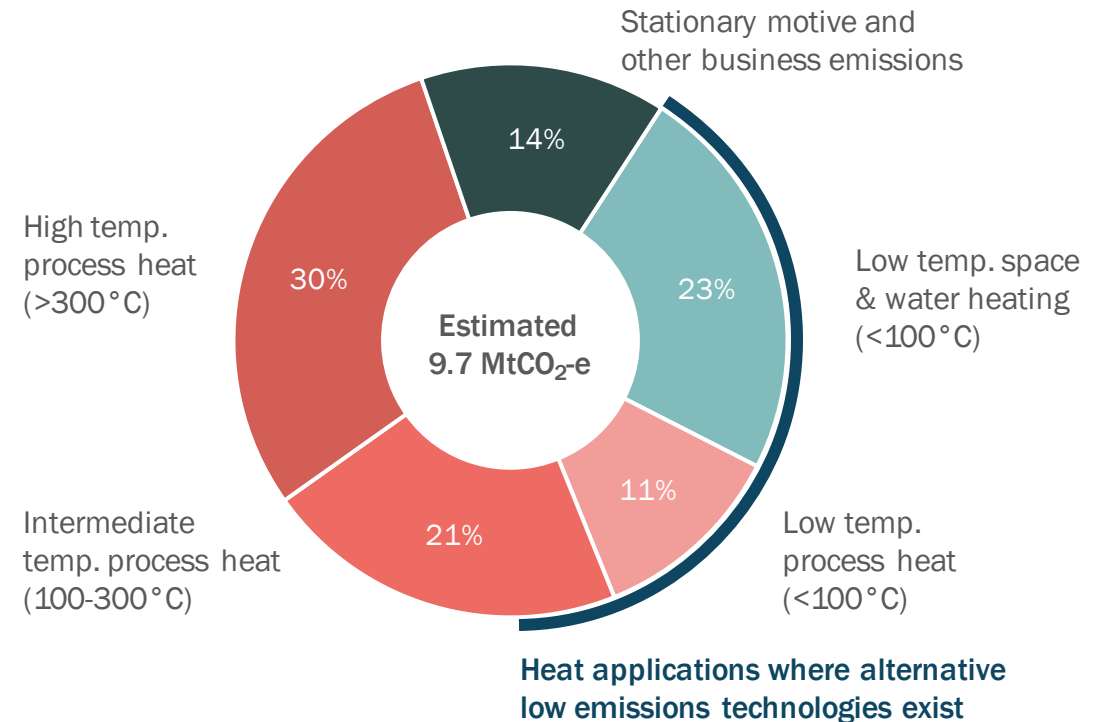
A well-known truth: decarbonising process heat and other stationary business emissions is a priority for New Zealand.

New Zealand's Emissions Breakdown
(2020)

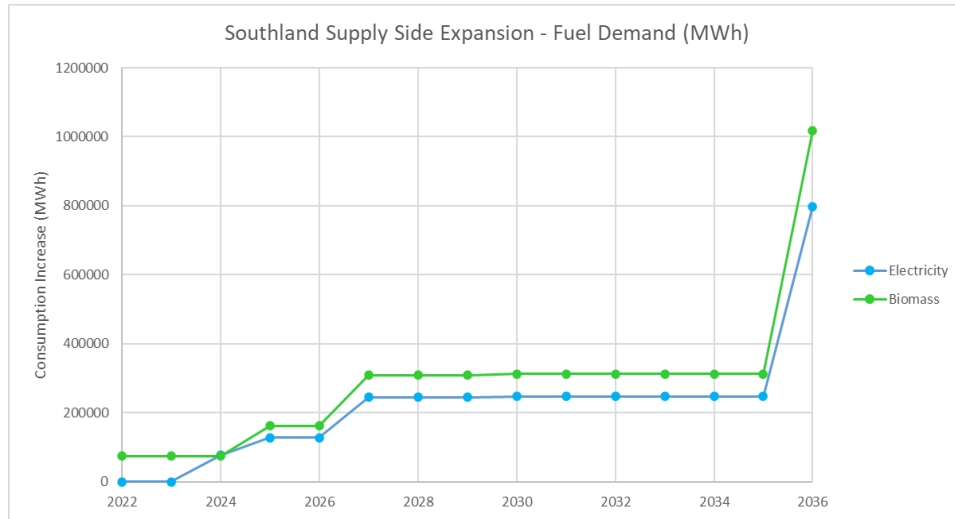


*Excluding business emissions from electricity use, which is included in 'Electricity generation'
Sources: Ministry of Business, Innovation and Employment, Ministry for the Environment and EECA analysis.

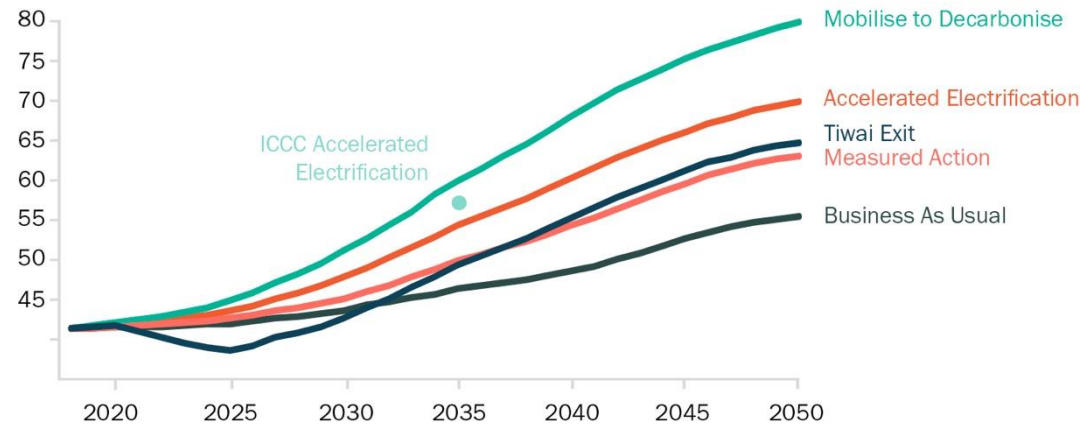
Business Emissions Breakdown
(2020 excl. Electricity)



The cost barrier: why give NZ businesses financial help?

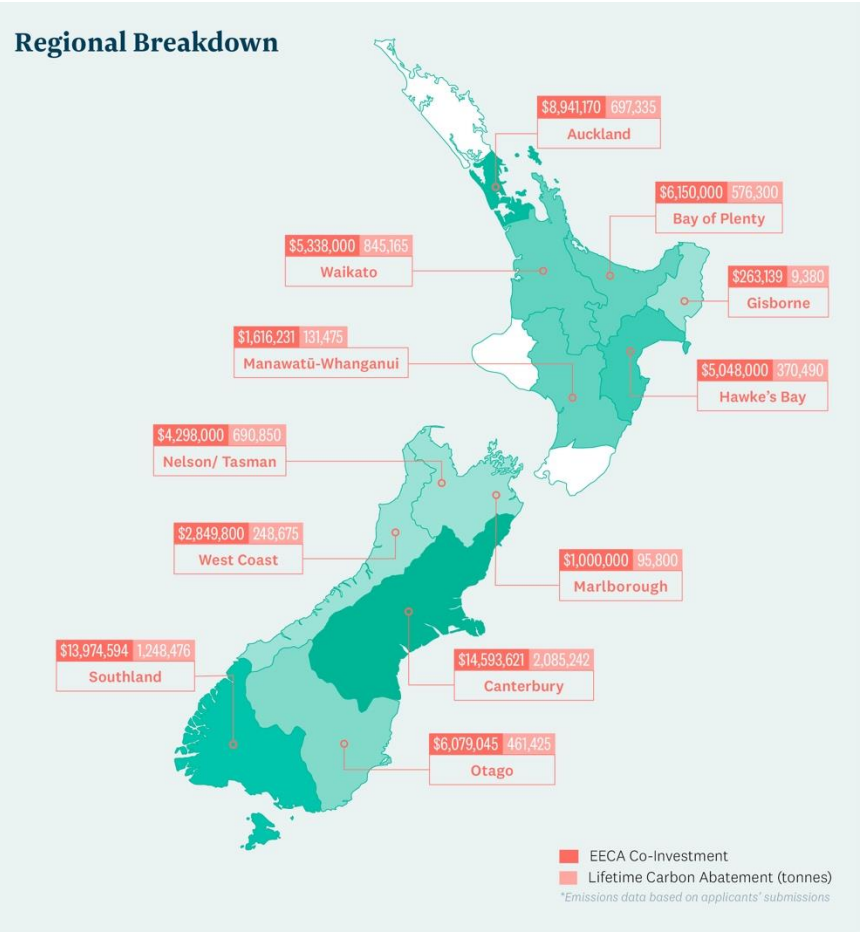
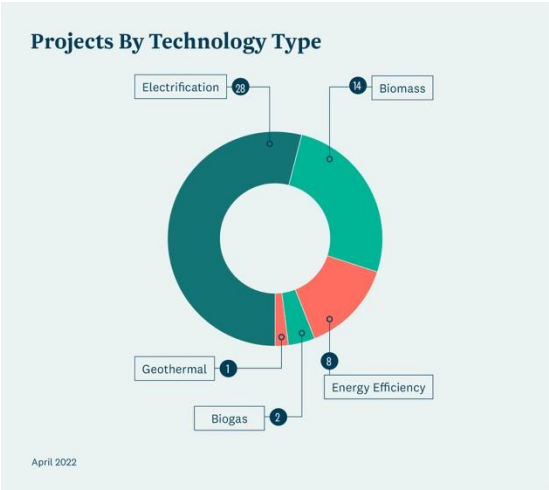
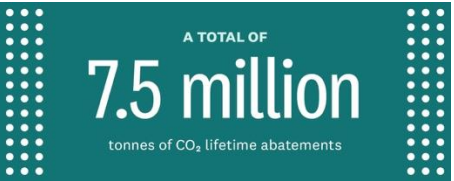


Electricity Demand Assumptions for each Scenario.*

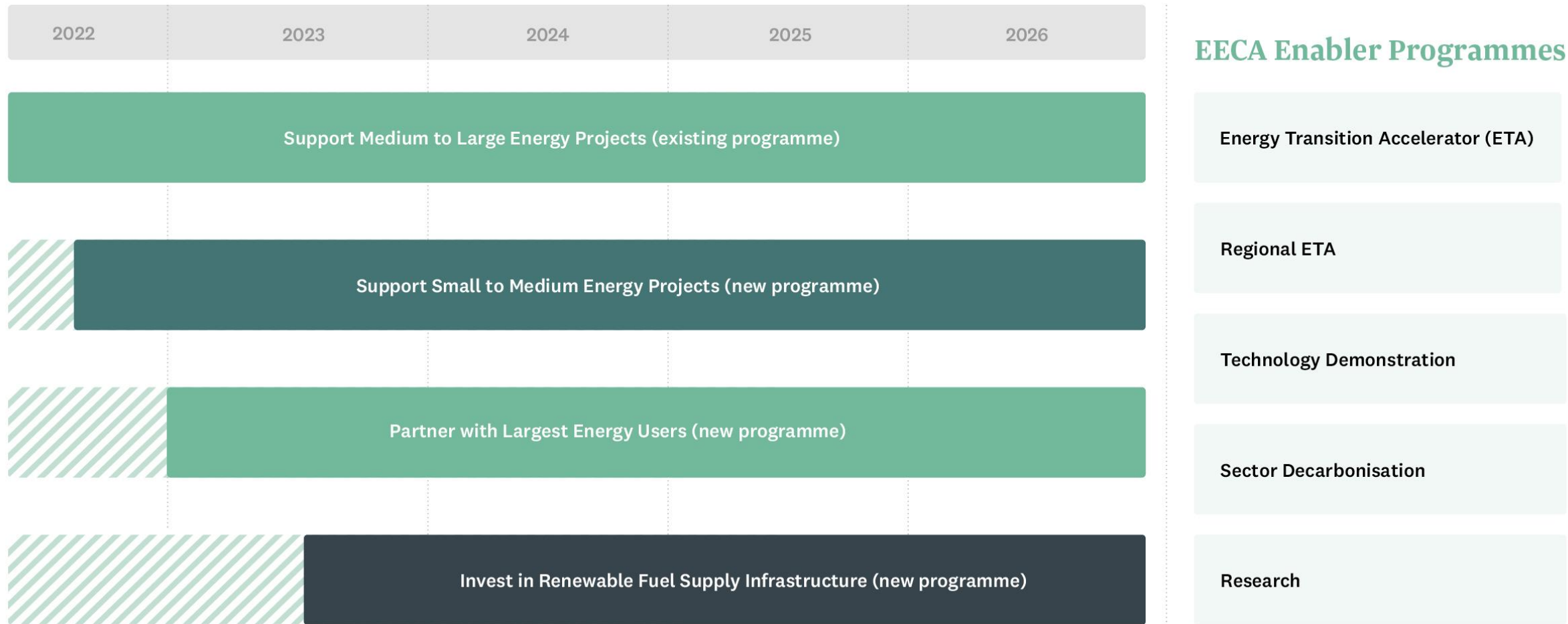


- Market forces & ETS (forecast pricing) on their own will not achieve NZ's abatement targets at the speed needed
- Many businesses still targeting 2037 or 2050. Change is needed more urgently
- The longer the wait the more costly the fix... for the whole economy
- Paris “NDC” commitments obligations commence December 2030
- Intervention is needed to smooth the transition for supply chains & prevent everyone moving at once

GIDI fund 1.0 outcomes



Introducing the expanded GIDI 2.0 programme



Introducing the expanded GIDI 2.0 programme cont.

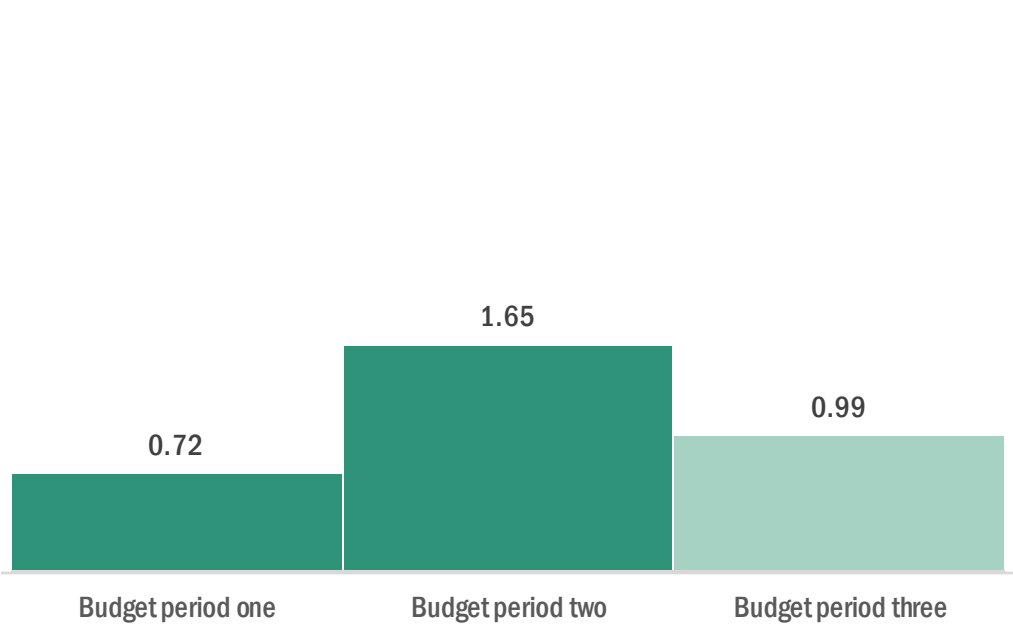
Target Recipients	Support Small to Medium	Support Medium to Large	Partner with Largest	Invest in Fuel Supply Infrastructure
\$	\$350m Existing GIDI Contestable Fund Expansion (+\$11m opex)			
	\$240m for Low Emission / Energy Efficient Equipment (+\$8m opex)			
	\$40m for Commercial Building Heating Decarbonisation (+\$1m opex)			
Investment Segments	Investment Into Demand Side End Users			Investment in Supply Side Enabling Infrastructure
Programme Design Focus (Launch: subject to ongoing analysis)	<ul style="list-style-type: none"> A broad approach targeting technology (and systems) Support smaller size decarbonisation projects 	<ul style="list-style-type: none"> Expand the current fund (with new criteria) Extend the support to high potential targeted business segments, sectors, technology, and processes 	<ul style="list-style-type: none"> Partnership with very large energy users on their decarbonisation journey 	<ul style="list-style-type: none"> Engage and co-ordinate with stakeholders on aggregating demand in the biomass and electricity supply ecosystem Leverage intelligence from EECA's current Regional Energy Transition Accelerator (RETA) Programme.

Emission reduction is our north star

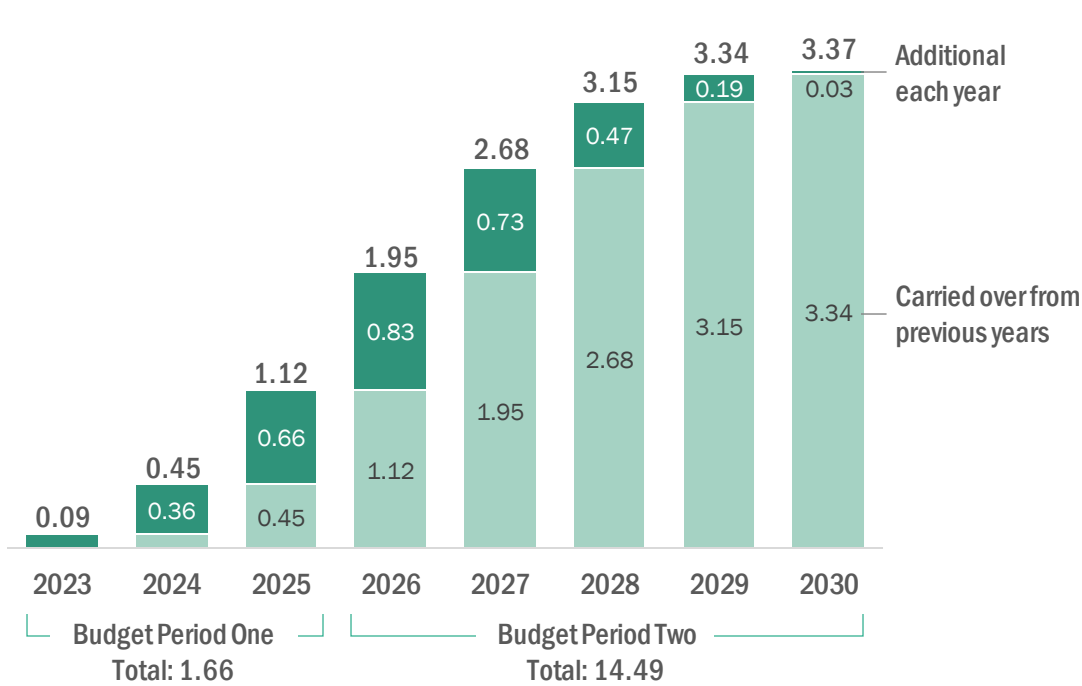
GIDI 1.0 projects are on track to reduce emissions by 2.4 Mt CO2 by end of Budget Period 2 (Dec 2030).

GIDI 2.0 will target **over six times** the emissions reductions.

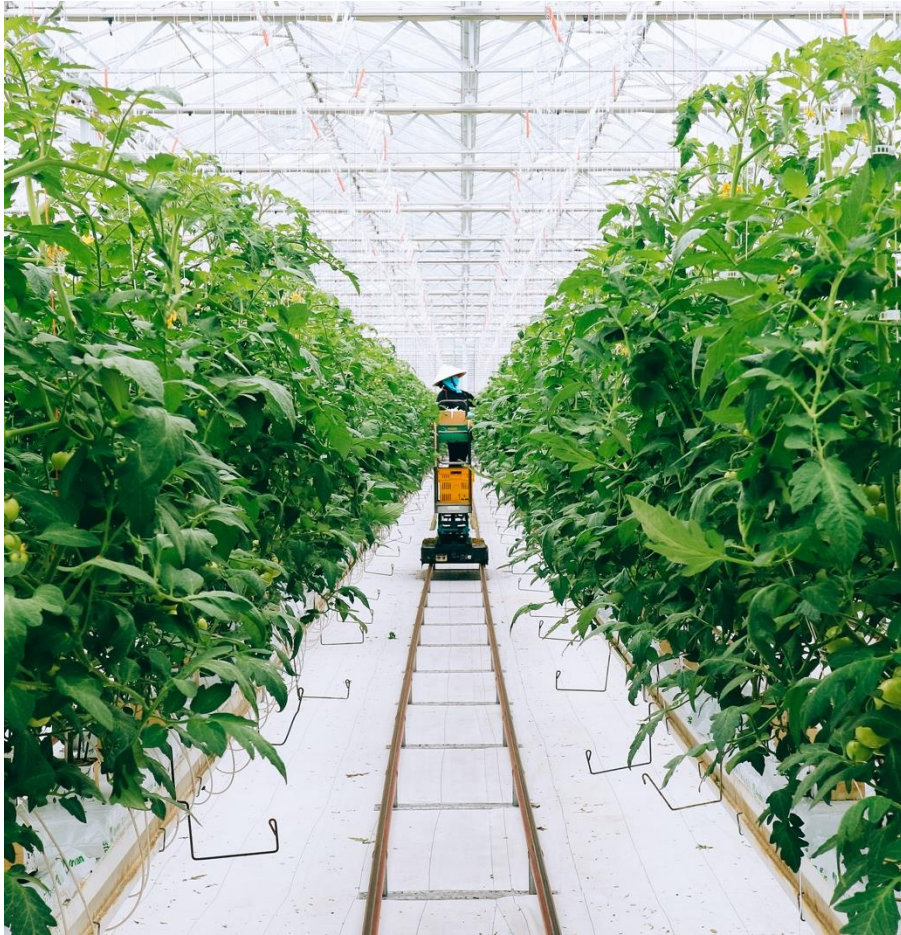
GIDI 1.0 Estimated Emissions Reductions
(MtCO₂-e over emissions budget period)



Expanded GIDI 2.0 Emissions Targets
(Annual MtCO₂-e, calendar year)



Contestable funding round one – live 9 June



RFP Opened 9 June / Closes 4 August

What's in scope?

- Must decarbonise process heat
- Must be operational by 31 December 2025
- Projects over \$300k, no upper cap
- Incremental capitalised costs of the low-emissions option over the base case
- Crown contribution up to 50%
- Only fund projects that clearly need government financial support

What's out of scope?

- Same as GIDI 1.0.
- E.g. no generation (but) , transport, space heating, waste minimisation, embodied carbon, etc



Round one RFP

Investment principles:



Carbon emissions reductions



Enable long-term efficiency of the energy system



Additionality



Support a fair transition



Leverage applicants' co-funding



Innovation



Accelerate the transition



Support government's broader outcomes



Enable NZ's long-term transition



Round one RFP cont.

Scored on:



Abatement outcome (tonnes & \$/tonne)

+



Speed

+



Payback period after the requested funding



Co-funding ratio requested

+



Ability to deliver

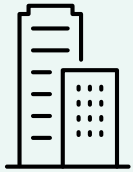
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Performance against the investment principles



EECA's strategic focus areas & other activities



Productive and low-emissions business

- Government Investment in Decarbonising Industry Fund
- Sector Decarbonisation Programme
- Regional Energy Transition Accelerator Plans
- Technology Demonstration Fund
- Regulation (efficiency demand management)



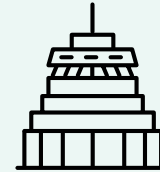
Efficient and low-emissions transport

- Low-Emissions Transport Fund (incl. EV Charging Roadmap)
- Regulation (fuel economy)



Energy efficient homes

- Warmer Kiwi Homes
- Regulation (efficiency demand management)



Government leadership

- State Sector Decarbonisation Fund
- Carbon Neutral Government Programme



Engage hearts and minds

- Gen Less

How we all rise to the task



Next steps for business:

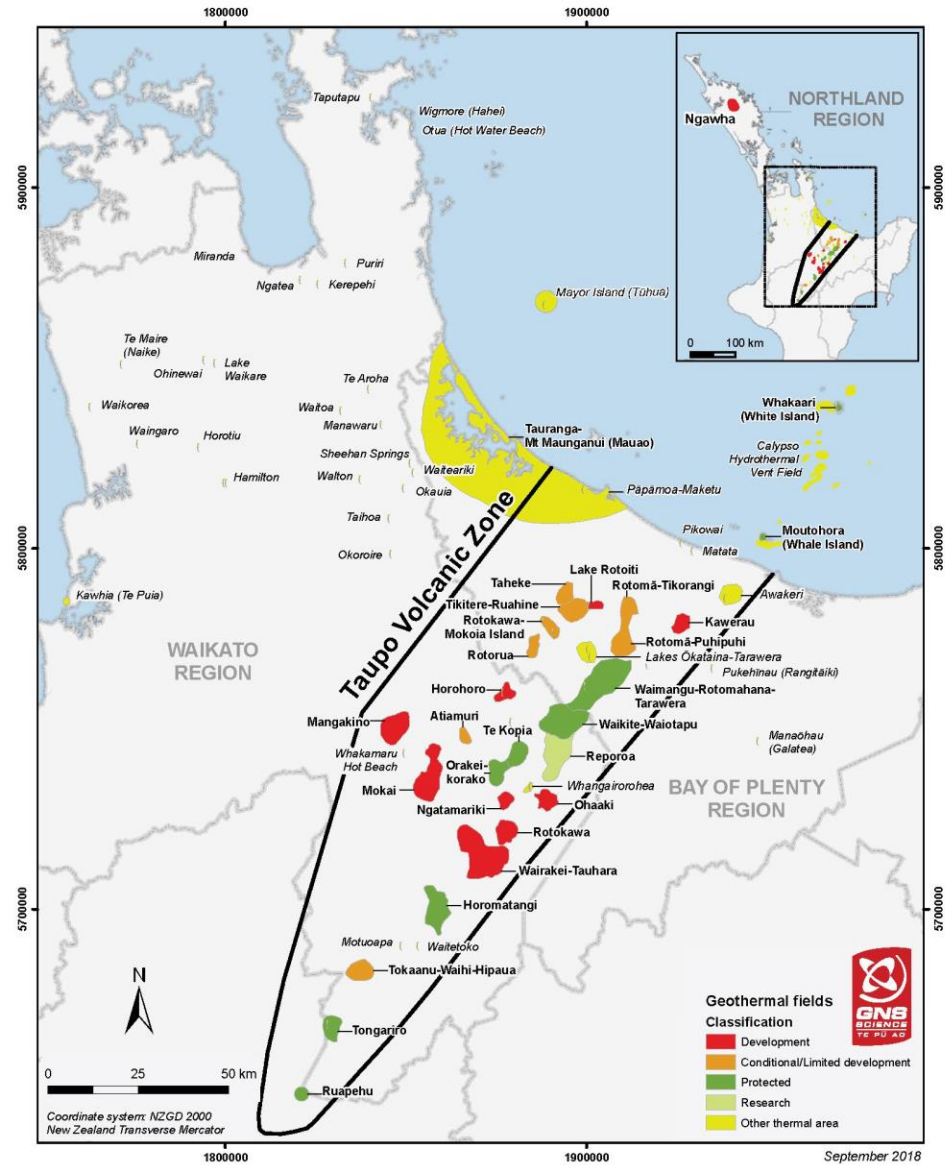
- Commit to acting with urgency
- Look at planned projects & ask how you could bring them forward
- Look at shelved projects & ask what would get them over the line
- Revise BC & internal approval settings to reflect climate outcomes
- Prepare decision makers early about options, issues & solutions
- Prioritise energy efficiency, demand management & innovation
- Share your lessons far and wide
- Influence your supply chains
- Promote your climate leadership on the basis of achievements not commitments



Geoheat – cost effective process heat

Type	\$/GJ	Carbon Factor tCO2e/GJ	Carbon costs	Conversion Factor	Total Cost \$ / GJ Delivered
Geothermal - Direct	8	0.0070	\$0.46	0.83	\$10.19
Electricity - Heat Pump	30	0.0265	\$1.72	2.5	\$12.00
Biomass	8	0	\$0.00	0.64	\$12.50
Coal	6	0.0944	\$6.14	0.81	\$14.98
Gas	10	0.054	\$3.51	0.85	\$15.89
Wood Pellets	14	0	\$0.00	0.81	\$17.28
Electricity - Resistive	30	0.0265	\$1.72	1	\$30.00







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Contact us with any questions (GIDIfund@eeca.govt.nz)

Find everything on the GIDI fund here (www.eeca.govt.nz/gidifund)