

Tax Working Group Public Submissions Information Release

Release Document

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TRUSTPOWER SUBMISSION: THE FUTURE OF TAX

Introduction and overview

Trustpower Limited (**Trustpower**) welcomes the opportunity to provide a submission to the Tax Working Group (**TWG**) on the Future of Tax in NZ.

By way of background, Trustpower employs around 700 staff spread across many regions in NZ, with a head office in Tauranga, many regional site offices, including a call centre in Oamaru. Trustpower is an active participant in New Zealand's energy markets as both a multiproduct retailer and renewable electricity generator. We have had a long-standing commitment to renewable energy. Our generation portfolio comprises nearly 100% hydro-generation.

Trustpower recognises the Government is seeking to understand how issues such as climate change, agricultural emissions, and water quality can be addressed through taxation. TWG has been asked to consider whether there is a case to make greater use of environmental taxation to improve environmental outcomes and diversify the tax base. It is this key area which is the focus of our submission.

1.1 What tax issues matter most to you?

As a hydro-electricity generator and user of water resources, the prospect of environmental taxes, royalties for water use, or economic resource rental, are of considerable interest to Trustpower.

The 'Future of Tax: Submissions background paper' provides no precision on the underpinning policy drivers. The paper makes reference across a range of approaches from environmental taxes, or resource royalties or economic rent taxes. The former is motivated by environmental impacts, while the others are not. Understanding the Government's motive would assist decision making, as a resource rental charge would require a very different approach to a cost recovery charge, for example. It would therefore be helpful if the TWG could signal whether the potential charge on freshwater is a means to create revenue for funding water management activities, to earn a return on public assets, to incentivise efficient water use by users, to address environmental degradation, or perhaps to address social issues such as iwi rights and interests?

Without having anything concrete to comment on, our submission instead appeals for consideration and caution over the following matters –

- Non consumptive water use does not contribute to resource scarcity. This raises the question of how many times the resource use might be taxed?

- Wariness of employing an approach that might affect investment decisions, and hydro electricity production decisions.
- Water that is used to generate electricity is a public good for the displacement of fossil fuel use – charges should therefore be different.
- Linked to the above, unintended consequences in relation to the NZ hydro/electricity market and more broadly on climate change and renewable energy goals of the government.
- The likelihood that costs may be passed on to consumers.
- Awareness of distinctly different impacts depending on what mechanisms and metrics would be used, e.g. kw/hr, m3, or m3/sec charges.
- The need for meaningful consultation once the policy drivers are understood and options can be developed /shortlisted.

Trustpower understands the TWG is willing to discuss issues with key interested parties. We would welcome the opportunity to speak with the TWG and the secretariat to discuss the points raised, if required.

Regards,
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