

Tax Working Group Public Submissions Information Release

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: [1]
Sent: Wednesday, 17 October 2018 5:27 PM
To: TWG Submissions
Subject: Tax & Dividend Revenue from the Electricity Sector

Dear Dr Cullen

Recent reports of excessive electricity market rents (in 2009 by Professor Wolak, and last month by Professor Poletti - <https://www.auckland.ac.nz/en/about/news-events-and-notice/news/news-2018/09/billions-in-excess-profits-for-energy-generators-over-seven-years-economist.html>). A significant portion of the “rent” is in the form of GST, tax on state owned company profits and dividends paid to Treasury to maintain a low tax base. This is akin to a Poll Tax on electrical heating impacting largely at homes with poor insulation. In contrast while the Govt taxes on other energy sources such as petrol, these funds are ring-fenced to pay for transport infrastructure.

Because NZ retail electricity prices are now classed as unaffordable (by OECD standards), the Gov’t will need to support those most affected. Urgent action is needed as wealthier electricity customers increasingly invest in their own home electricity production systems, leaving those who cannot afford to do so having to support an increasingly overpriced electricity sector.

Perhaps the TWG could give some consideration to allocating the revenue from the electricity sector for meeting Climate Change Commitments under the Paris Agreement. These funds could be deployed to ensure the most appropriate energy forms are used to minimize the costs of end-use energy applications and promote the greater uptake of renewables, battery systems along with electric vehicles .

The ongoing Electricity Pricing review will no doubt identify all the reasons for high NZ retail electricity prices and hopefully suggest ways in which the Govt could help alleviate the situation for consumers.

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