



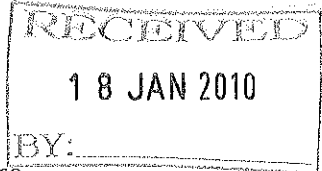
Office of Hon Gerry Brownlee

MP for Ilam

Minister for Economic Development
Minister of Energy and Resources

Leader of the House

Associate Minister for the Rugby World Cup



ERGB 09-10/1405

14 JAN 2010

Steve Coatham
General Manager
Refrigeration Air Conditioning Companies Association
P O Box 97453
Manukau 2241

Dear Mr Coatham

Thank you for your letter of 19 November 2009 about aspects of the Warm Up New Zealand: Heat Smart programme administered by the Energy Efficiency and Conservation Authority (EECA).

Thank you for informing me of the results of your survey of members and your Association's concerns about the programme. I greatly appreciate the fact that you have taken the time, and have met with EECA representatives, to gain an understanding of the aims of this insulation programme. I would like to respond to the concerns raised by the Association.

RACCA suggests that clean heat devices should be removed from the programme. As you are aware, Warm Up New Zealand: Heat Smart is a relatively new programme. EECA is monitoring the programme as an ongoing exercise, and will review it on a regular basis, just as it reviews all of its programmes. EECA informs me that monitoring to date has revealed little effect beyond a redistribution of market share. I am also informed that in spite of the economic situation, the total market for heat pumps continues to grow. The largest heat pump manufacturers have reported an overall increase in sales this year. Independent data supports this, showing a 1.4% increase in heat pump sales over the same period in 2008 (April – September).

A quarter of New Zealand homes now have a heat pump (2009 figures), compared to 4% in 2000. The total market for heat pumps is around 120,000 units per year (based on sales figures for 2008), and research suggests this level of demand will continue. The Warm Up New Zealand: Heat Smart programme is funded to subsidise only 11,000 clean heating units, (solid fuel wood burners, solid fuel pellet burners, flued gas heaters as well as heat pumps), per year, representing around 9% of the total market.

During the course of designing the programme EECA examined the option of providing vouchers to consumers as a means of transferring the grant. They concluded that this method of delivering the subsidy was less attractive than some other options, as a voucher system would not specifically support more energy efficient clean heat devices such as the Energy Star products. A voucher system would also be more difficult and expensive to audit than the present system.

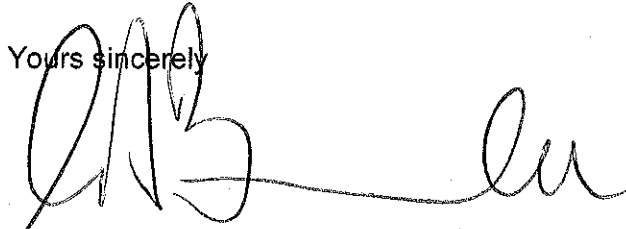
RACCA suggests that its website could be linked to the EECA website. I am informed that EECA representatives are willing to explore this possibility and would be happy to discuss it with you.

RACCA further suggest a joint audit process to include compliance with the electrical code and building code. I am informed that EECA has already implemented an audit process as an integral part of the Warm Up New Zealand: Heat Smart programme. Audits include clean heat device installation in addition to insulation installation, and also cover electrical code of compliance certification.

May I suggest that you keep in contact with EECA representatives as the programme continues to develop.

Thank you again for writing.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gerry Brownlee', written in a cursive style.

Hon Gerry Brownlee
Minister of Energy and Resources