



Energy Efficiency and  
Conservation Authority  
Te Tari Tiaki Pūngao

19 MAR 2010

18 March 2010

Christine Southey  
Chief Executive  
Gas Industry Company Ltd.  
PO Box 10 646  
**Wellington 6143**

Dear Christine

### **Direct use of gas**

Thank you for your letter of the 18 February, drawing my attention to the Gas Industry Co's work on the direct use of gas.

Firstly, I would like to express my appreciation for your work in this area. The Concept Consulting report, in particular, has progressed EECA's understanding on the relative merits of the direct use of gas.


With respect to the recommendations made by the Gas Industry Co to the Associate Minister of Energy and Resources:

- We agree that improved information should be provided to consumers on space heating and water heating; and,
- We do not think that there is sufficient justification to extend our water heating programme to cover instant gas water heaters. I outline my reasons for this position below.

We already provide some information to consumers on our ENERGYWISE™ website and through other media explaining the pros and cons of different space and water heating options. We agree, though, that the information that we provide can be improved. In particular we would like to provide more comparative information covering affordability, carbon intensity and, where necessary, health and safety. As you have quite rightly noted, to be effective this information will need to be simple, up to date and accurate.

Given our legislative mandate we do have a focus on renewable energy. That said, renewable energy options will not be available, cost effective or otherwise practical for some homes and businesses. In these circumstances we think gas can play a valuable role. Gas can be

Improving energy choices



preferable to inefficient (resistive) electric heating and other fossil fuels in terms of security of supply, affordability (in some circumstances), greenhouse gas emissions and urban air quality. For these reasons we do not have a fundamental issue with respect to incorporating gas into our energy efficiency programmes.

As you are aware EECA currently provides financial assistance for solar water heating and last year we launched a relatively small pilot where financial assistance was also provided to hot water heat pumps. At this time we do not think that there is sufficient justification to extend our water heating programme to cover instant gas water heaters for the following reasons:

- Funding for solar water heating is due to end this financial year. The Government is currently considering whether funding for solar water heating should be continued. If additional funding is secured it is likely that EECA will have limited discretion on how these funds should be deployed.
- Subject to funding constraints, we are open to extending our water heating programme to include other measures. In our view, the next priority area for action are energy efficiency measures such as cylinder insulation wraps, pipe lagging and efficient shower heads. The Electricity Commission's 2007 study on energy efficiency potentials indicated that there remains significant untapped potential for relatively low cost energy efficiency improvements such as these; and
- We are concerned that there is some evidence to suggest that consumers with instant gas water heaters tend to use more hot water. Should this be the case this could undermine the energy and greenhouse gas benefits that instant gas water heating could potentially provide.

To conclude, the direct use of gas can play a valuable role in our energy system and we appreciate the Gas Industry Co's work in this area. We agree that information that we provide to consumers on space and water heating can be improved. We do not think that there is a strong enough case to extend our water heating programme to include instant gas water heating. This is particularly the case given the current constraints on funding.

Please give me a ring if you would like to discuss this issue further.

Your sincerely



Mike Underhill  
**Chief Executive**