

# Office of Hon Simon Watts

Minister of Climate Change  
Minister for Energy  
Minister of Local Government  
Minister of Revenue



21 FEB 2025

Hon David Seymour  
Associate Minister of Finance  
Parliament Buildings

Dear David,

Thank you for your letter of 17 February setting out the areas within the Climate Change portfolio you would like me to consider as part of the Budget 2025 Baseline Savings Programme. I agree the fiscal context we are operating in is challenging, and it is important to ensure that all government spending is aligned with our priorities and represents value-for-money.

As you noted in your letter, the funding for Climate Change portfolio has increased significantly since 2016/17. This growth has been driven by considerable changes in the scale and scope of climate change functions since that time, due to international commitments (the ratification of the Paris Agreement), legislative changes (requiring the preparation of emissions budgets and emissions reduction plans, and mandating work on adaptation), and establishment of new entities (the Climate Change Commission and Climate Change Chief Executives Board).

It is also important to highlight that funding in the Climate Change portfolio is already set to decline over the forecast period. I have been proactively managing the work programme to ensure it is tightly focused on our priorities and statutory requirements, which has resulted in large reductions in staff numbers and unnecessary spending. As a consequence, through Budget 2024 I was able to deliver \$92.861m of savings from the portfolio. Overall, as at the March Baseline Update 2025, in 2027/28 total funding across the portfolio is set to decrease 31 percent (compared to settings prior to the Budget 2024 savings exercise).

In addition, there are possible further reductions in the climate change portfolio that will arise from other parts of the Budget 2025 process, from the Grants and Funds savings exercise and prioritisation within Vote Environment required to offset the costs of RM Phase 3 Implementation.

Given this context, I have directed officials to conduct a line-by-line review of the Climate Change Response Act 2002 to identify opportunities to refine the statutory and machinery of government arrangements. I have asked my officials to consider the outcome each provision is intended to achieve, the effectiveness of each provision in achieving that outcome, and the proportionality of the effort involved relative to the outcome. Once implemented, changes resulting from this review could deliver efficiencies, savings, and value-for-money improvements.

You invited me to consider whether savings from this kind of longer-term review could be recognised in Budget 2025. I do not think this would be appropriate in this instance. The savings that will result will depend on the scale of changes that Cabinet wishes to make, and I do not want to pre-empt those decisions.

I plan on seeking Cabinet's agreement to carry out targeted engagement based on this review around May 2025 and policy decisions in quarter three of 2025. Legislation to make the necessary

amendments is to be introduced to the House in quarter 4 and passed by June 2026. This would enable savings from this exercise to be recognised as part of Budget 2026.

The non-discretionary nature of much of the current work programme for climate, the need to resource this line-by-line review of the legislation, and the potential savings through other parts of the Budget 2025 process, means there is very limited potential to deliver further savings in the Baseline Savings Exercise.

Nevertheless, after careful consideration of spending across the entire portfolio I have identified two areas where some savings could be delivered:

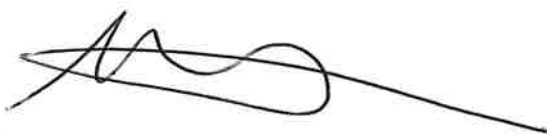
- **Climate Change Chief Executives Board** (\$2.085m over the forecast period) – Budget 2024 returned \$1.395m of funding for the Board over two years (2024/25 and 2025/26). This had a significant impact on resourcing but the work programme has now been adapted. This resource reduction could be extended to 2026/27 and onwards.
- **Voluntary Carbon Market funding** (\$0.780m over the forecast period) – this funding is to enable the Ministry of the Environment to progress work on Voluntary Carbon Markets and also make progress on rewarding additional forms of carbon. Returning some of this funding would still enable a scaled-back project that is focused on the latter, which I consider a higher priority for this Government, while still providing a key platform for a market-led Voluntary Carbon Market.

These savings are represented in the baseline savings programme initiative ‘Climate change portfolio baseline savings’ (CFISnet ID: XXXXXXXX).]

As per your letter, I have also considered whether savings from the Climate Change Commission’s appropriation could be delivered as part of this exercise. My officials have worked with the Commission to identify if there are any meaningful further savings that could be delivered for Budget 2025, and I am satisfied that there are not. The Commission was subject to significant baseline reductions as a result of Budget 2024 decisions and recently undertook an organisational change process to ensure it can live within its means. However, it may be possible to identify savings for Budget 2026, depending on the decisions made as part of the Climate Change Response Act review I mentioned above.

I am happy to discuss this with you, if you require further information.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Simon Watts', written over a horizontal line.

Hon Simon Watts  
Minister of Climate Change