



Briefing: Additional CERF savings, implications, and next steps

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Security level: Policy and Privacy

MfE priority: Urgent

| Actions sought from Ministers | | |
|---|-----------------------------------|--------------|
| Name and position | Action sought | Response by |
| To Hon Simon WATTS Minister of Climate Change | Review and discuss with officials | 4 April 2024 |
| CC Hon Penny SIMMONDS Minister for the Environment CC Hon Chris BISHOP Minister Responsible for RMA Reform | Note | Nil |

| Actions for Minister's office staff |
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| Return the signed briefing to the Ministry for the Environment (ministerials@mfe.govt.nz). |

| Appendices and attachments |
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| <ol style="list-style-type: none"> CERF initiatives contracted vs uncontracted funding CCRA-driven statutory requirements Vote Environment: Budget 2024 Initial Baseline Exercise Summary |

| Key contacts at Ministry for the Environment | | | |
|--|---------------|--------------|---------------|
| Position | Name | Cell phone | First contact |
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| Minister's comments |
|---------------------|
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Additional CERF savings, implications, and next steps

Key messages

1. The Minister of Finance previously requested that Ministers put forward a package of savings relating to Vote Environment through the Initial Baseline Exercise (\$196.4m over four years / \$49.1m per annum), as well as a targeted savings initiative of at least \$100m over four years relating to the Waste Disposal Levy and Waste Minimisation Fund. On 16 February 2024 the Ministry for the Environment (the Ministry) submitted Ministers' preferred package to the Treasury. CERF initiatives were within the scope of the Initial Baseline Exercise and we have offered significant savings.
2. Following review of the proposed Budget package and discussion by Budget Ministers, the Minister of Finance has requested further advice on potential savings that could be returned from CERF-funded initiatives. We understand the Minister of Finance is interested in any further opportunities to take back funding from CERF initiatives, especially where funding isn't aligned with the Government's priorities.
3. This request comes on top of other requests from Ministers and / or the Treasury for further advice on savings options. This includes options relating to further savings from the waste disposal levy; a process to review the tagged contingencies (which also directly and indirectly affect the Climate work programme); and an Independent Rapid Review of the Ministry for the Environment due to be reported to the Minister of Finance and the Minister for the Environment no later than 3 April 2024 which has been asked to identify further savings.
4. Together, these initiatives are significant for the Ministry and its ability to deliver on Government priorities. There is a cumulative impact of an already declining baseline; significant Resource Management System funding returned to the centre through the mini-Budget; and meeting the Budget 24 savings targets. Even before any further savings are considered, these will reduce the Ministry's departmental funding in 2024/25 by 40 per cent compared to the current year, and we expect to cut the Ministry's workforce by almost one third. By 2027/28 our departmental appropriation will be 55 percent lower than present, and we expect to have reduced our workforce by 50 percent.
5. CERF funds are used to deliver a wide variety of work in the climate portfolio. Many projects are not discretionary and if not CERF funded, would still need to be delivered, leading to fewer choices elsewhere in the work programme.
6. To give a sense of the scale of the impact of returning uncommitted CERF funding:
 - i the savings offered through the Initial Baseline Exercise will reduce the Climate appropriations by 9 percent in 2024/25, and an average of 11 percent over the following three years.
 - ii If all the uncontracted climate-related CERF funding identified was returned to the centre, the climate appropriations would be by 21 percent in 2024/25, rising to 28-29 percent in the following two years.

7. There is a limit to the level of reprioritisation possible within the Climate portfolio. Consequently, whether CERF-related or not, any additional savings would severely constrain the Ministry's ability to deliver on the Government's priorities for Climate alongside its statutory commitments.
8. Furthermore, the cumulative way in which additional savings are being requested presents additional challenges and risks. The Ministry approached the Initial Baseline Exercise holistically to achieve a package that met both the requirements of the Minister of Finance and the priorities of our Ministers. While a portion of the CERF initiatives funding remains uncommitted, this funding is interwoven with the Government's wider policy programme and a subsequent decision to return some or all of this uncommitted funding cannot be done in isolation from the wider cost savings proposals we have already submitted as part of the IBE.
9. This briefing outlines the implications of potential further savings being taken from CERF-funded initiatives and recommends that should the Minister of Finance wish to proceed with such an approach, the Ministry be asked to provide further advice on re-prioritisation options across the entire savings package, to support discussions between Ministers.

Recommendations

We recommend that you:

- a. **note** there is a significant cumulative impact on the Ministry's funding from an already declining baseline; the return of RM funding through the mini-Budget; and the savings required through the Budget 24 Initial Baseline Exercise
- b. **note** that CERF-related savings were already included in the Initial Baseline Exercise savings package, and a subsequent decision to return some or all of the uncommitted CERF funding should not be made in isolation from these wider proposals
- c. **note** that any further CERF-related savings (at **Appendix 1**) would severely constrain the Ministry's ability to deliver on the Government's priorities for Climate alongside its significant statutory commitments and regulatory responsibilities under the CCRA (set out at **Appendix 2**) and would require additional prioritisation discussions with Ministers
- d. **note** that an Independent Rapid Review report on the Ministry for the Environment is due to be presented to the Minister of Finance and the Minister for the Environment no later than 3 April 2024 and has been asked to identify further savings options and advice
- e. **agree** that should the Minister of Finance wish to proceed with further CERF (or other) savings, the Ministry be asked to provide further advice on re-prioritisation options across the entire savings package to support discussions between Ministers.

Yes | No

Signatures



Arun Patel
General Manager – Finance & Procurement
28 March 2024

Hon Simon WATTS
Minister of Climate Change
Date

Additional CERF savings, implications and next steps

Purpose

10. This briefing outlines the implications of potential further savings being taken from CERF-funded initiatives on the Ministry's ability to deliver on the Government's priorities for climate change (and more broadly) and recommends that should the Minister of Finance wish to proceed with such an approach, the Ministry be asked to provide further advice on re-prioritisation options across the entire savings package to support discussions between Ministers.

Background

11. The Government has an ongoing Fiscal Sustainability Programme which includes several exercises intended to identify savings options ahead of Budget 2024. There is a cumulative impact from these exercises which have material implications for the Ministry's capacity to support Government priorities, as shown in this table:

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|--|-----------|-----------|----------|---------------|----------|
| Pre-mini-Budget (declining baseline from expiry of time limited funding) | \$267.8m | \$225.7m | \$204.7m | \$194.4m | \$191.7m |
| | 1,060 FTE | 1,033 FTE | 911 FTE | 837 FTE | 799 FTE |
| Plus, impact of mini-Budget | \$267.8m | \$176.8m | \$155.9m | \$149.3 | \$146.7 |
| | 1,060 FTE | 810 FTE | 694 FTE | s 9(2)(f)(iv) | |
| Plus, departmental impact of the baseline savings target | \$267.8m | \$161.4m | \$134.2m | \$124.1m | \$121.4m |
| | 1,060 FTE | 739 FTE | 597 FTE | s 9(2)(f)(iv) | |

12. 2023/24 was always the Ministry's funding peak, and prior to the Fiscal Sustainability Programme our baseline was already forecast to decline by 26% as time-limited funding ended. Then the mini-Budget returned \$302m of funding (departmental and non-departmental) which was intended for implementing the RM reforms and remediating a historic deficit in the baseline needed to maintain and operate the RM system. This markedly accelerated the Ministry's downward trajectory and will require the Ministry to drop over 200 FTE from next year.
13. On top of this, the Ministry was given a 7.5 percent savings target set at \$49.1m annually from 2024/25, and a request to identify an additional significant targeted savings option of at least \$100m over four years relating to the Waste Disposal Levy and

Waste Minimisation Fund. This will require us to drop a further 100 FTE from next year.

14. There are some significant challenges associated with how the savings target was calculated. The Waste Minimisation Fund has effectively been double counted for savings purposes by being included as eligible baseline while also being subject to significant targeted savings. Calculating the eligible baseline in this way effectively doubled the funding subject to our savings target and therefore the nominal sum required. The Ministry has had to contribute much more than 7.5 percent of its baseline to meet the target. The table below shows that the Departmental savings are 18 percent of the eligible departmental baseline in 2027/28.

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|-------------------|-------------------|-------------------|-------------------|
| Non- Departmental | 33,568,000 | 27,368,400 | 23,833,400 | 23,833,400 |
| Departmental | 15,532,000 | 21,731,600 | 25,266,600 | 25,266,600 |
| Total Target | 49,100,000 | 49,100,000 | 49,100,000 | 49,100,000 |
| Eligible Baseline - Non Departmental Baseline | 542,133,000 | 491,237,000 | 483,460,000 | 485,167,000 |
| Non-Departmental savings | 33,568,000 | 27,368,400 | 23,833,400 | 23,833,400 |
| % saved | 6% | 6% | 5% | 5% |
| Eligible Baseline - Departmental | 174,090,000 | 153,105,000 | 146,571,000 | 143,861,000 |
| Departmental savings | 15,532,000 | 21,731,600 | 25,266,600 | 25,266,600 |
| % saved | 9% | 14% | 17% | 18% |

15. The combined impact of our declining baseline, the mini-Budget, and the baseline savings target will reduce the Ministry's departmental funding next year by \$106.5m, or 40 percent of our OBU 23/24 appropriation.

| MfE Budget – Departmental | \$m | % decrease from 23/24 |
|-----------------------------|----------|-----------------------|
| Current 23/24 | \$267.9m | |
| Previous 24/25 | \$225.7m | 16% |
| 24/25 post mini-Budget | \$176.9m | 34% |
| 24/25 post baseline savings | \$161.4m | 40% |

16. We expect to reduce the Ministry's workforce by over 300 FTE (almost one third of our current FTE) in 2024/25. By 2027/28 the departmental appropriation will decrease by 55 percent.

Analysis and advice

Initial Baseline Savings Exercise

17. We previously provided you with advice on a range of savings options to inform your consideration of the overall savings package put forward as part of the Initial Baseline Exercise, which included consideration of CERF-funded initiatives. The table below shows a summary of the proposed operating baseline changes through Budget 2024 (see **Appendix 3** for the full summary):

Summary of proposed operating baseline changes through Budget 2024

| | Impact \$m increase/(decrease) | | | | | |
|--|--------------------------------|-----------------|-----------------|-----------------|--------------------------|------------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 & Outyears | Total |
| Total submitted for baseline reduction target | - | (49.100) | (49.100) | (49.100) | (49.100) | (196.400) |
| If required: total amount of targeted policy savings | - | (40.100) | (41.730) | (10.000) | (10.000) | (101.830) |
| Total amount of revenue options | - | - | - | - | - | - |
| Total savings/revenue proposed | - | (89.200) | (90.830) | (59.100) | (59.100) | (298.230) |
| cost pressure funding sought (not invited) | - | - | - | - | - | - |
| new spending sought | - | 30.150 | 31.887 | 31.887 | 26.934 | 120.858 |
| Total new funding sought | - | 30.150 | 31.887 | 31.887 | 26.934 | 120.858 |
| Net impact of all Budget 2024 proposals | - | (59.050) | (58.943) | (27.213) | (32.166) | (177.372) |

18. We approached the Initial Baseline Exercise holistically to achieve a package that met both the requirements of the Minister of Finance and the priorities of our Ministers. Given the scale of the cuts required it was always assumed that some level of reprioritisation would be required to deliver the Government's priorities once our much smaller baseline was confirmed by Cabinet.

CERF funding – additional request from the Treasury

19. CERF initiatives were within the scope of the Initial Baseline Exercise undertaken and were considered by the Ministry and our Ministers as part of our previous submission. In some areas we have offered significant savings already and going further is likely to undermine the viability of the initiatives.
20. Following the bilateral meeting, we provided you with a further Aide Memoire on the CERF-funded Climate Initiatives (BRF-4478 refers) which included information detailing the portion of remaining funding that is being offered up through B24 savings.
21. On 22 March, in response to a request from the Minister of Finance, the Treasury asked that we provide a breakdown of what proportion of the funding remaining in baselines is contracted vs uncontracted for CERF initiatives to support final budget decisions.
22. The table at **Appendix 1** outlines the status of remaining CERF initiatives in the Ministry's baseline. Data assumptions to note:
- i FTE are classed as contracted costs.
 - ii Based on actual personnel costs (FTE + overheads) at present, extrapolated to outyears.
 - iii Forecast data does NOT consider potential personnel changes (and impact on costs) as part of the savings exercise – this is the reason why there are some initiatives shown as overcommitted.
 - iv Includes non-personnel costs with existing contracts in place.

Other savings requests

Earlier return of CERF funding (pre-election)

23. An earlier rapid savings exercise undertaken by the previous government returned savings of \$10.13m of CERF funding in July 2023 for 'Reducing Emissions from Waste'.

MBU tagged contingency review

24. There is currently a process underway by the Treasury to review all tagged contingencies, which will directly and indirectly affect the Climate work programme.

Waste Disposal Levy

25. As noted above, the Minister of Finance previously requested that the Ministry identify potential targeted savings of at least \$100m over the four-year forecast period relating to the Waste Disposal Levy (levy) and Waste Minimisation Fund (WMF).
26. Following review of the draft Budget package and discussion by Budget Ministers, there have been further requests from Ministers to provide advice on potential changes to hypothecation settings for the levy, including scaled options to return funding to the centre in relation to both the central and local government portion of levy revenue.

Independent Rapid Review

27. On 12 March 2024, the Minister of Finance and the Minister for the Environment jointly commissioned an Independent Rapid Review of the Ministry for the Environment, led by Iain Rennie. The purpose of the review is to identify realisable savings over the forecast period (and ideally from 2024/25) to support value for money in public spending.
28. The Independent Rapid Review was commissioned based on consideration of the Ministry's submissions made as part of the Initial Baseline Exercise, potential to find significant additional savings, and growth in headcount of the Ministry since 2017.
29. The Reviewer is due to provide a written report to the Minister of Finance and the Minister for the Environment no later than 3 April 2024. The report will identify savings options and provide advice on those options. We have shared our advice on the CERF and potential further savings with the Reviewer.

Potential impacts of additional CERF savings on the Climate Change work programme and the Ministry's work programme more broadly

30. CERF funds are used to deliver a wide variety of work in the climate portfolio and the impacts of CERF savings cannot be easily assessed in isolation from the wider cost savings proposals the Ministry submitted as part of the Initial Baseline Exercise. Many projects are not discretionary and if not CERF funded, would still need to be delivered, leading to fewer choices elsewhere in the work programme. For example:
- i Some CERF-funded initiatives are specific priority areas for the Government, such as work to identify additional carbon sequestration opportunities (noted in the National-ACT coalition agreement).

- ii Others are foundational work that supports the Government's overall approach to emissions reduction – such as work on market governance for the Emissions Trading Scheme.
31. There is a limit to the level of reprioritisation possible within the Climate portfolio. That is partly due to the number of CCRA-driven statutory requirements in the near term (refer **Appendix 2**), as well as the non-discretionary work associated with overseeing a well-functioning Emissions Trading Scheme. Additionally, there are several coalition commitments that sit within the climate work programme. Consequently, there is already limited ability to progress priority areas outside of these categories, although we are unable to quantify this impact until the overall budget position is finalised.
32. Consequently, whether CERF-related or not, any additional savings would severely constrain the Ministry's ability to deliver on the Government's priorities for Climate alongside its statutory commitments and regulatory responsibilities under the CCRA and would require additional prioritisation discussions with Ministers.
33. The table below shows the cumulative impact of potential savings on Climate funding. These are approximated appropriation impacts as financial recommendations are still to be produced following Budget decisions, however it points to the significance of the potential impact on the Ministry's Climate appropriations if that additional uncontracted funding was returned.
34. Relative to the March Baseline Update, the savings offered through the Initial Baseline Exercise will reduce the Climate appropriations by 9% in 2024/25, and an average of 11 percent over the following three years.
35. If all the uncontracted climate-related CERF funding identified was returned to the centre, this would more than double the impact on the total Climate appropriations, which would fall by 21 percent in 2024/25, rising to 28-29 percent in the following two years.

| Climate (incl IEB) \$000 | 24/25 | 25/26 | 26/27 | 27/28 |
|--|---------------|---------------|---------------|---------------|
| March Baseline Update | 58,212 | 59,859 | 59,909 | 57,169 |
| Savings per Initial Baseline Exercise - Climate (Dept) | (5,302) | (7,125) | (6,059) | (6,088) |
| Net of IBE | 52,910 | 52,734 | 53,850 | 51,081 |
| % reduction | -9% | -12% | -10% | -11% |
| CERF – Climate-related uncontracted (Dept) | (6,692) | (10,059) | (10,951) | (8,149) |
| Net of Both | 46,219 | 42,675 | 42,899 | 42,932 |
| % reduction | -21% | -29% | -28% | -25% |

36. There would be little impact on the outcome of waste initiatives as all of the CERF non-departmental funding (both committed and non-committed) for waste initiatives has been proposed as savings in the IBE savings proposals. It has been proposed that waste levy revenue will substitute funding for these projects. Uncommitted departmental funding for waste initiatives has also been proposed for savings.

Potential impacts on the Ministry's work programme more broadly

37. A further decrease in CERF funding from the Climate appropriation would have significant ramifications across all work programmes delivered by the Ministry and reprioritisation would be required to ensure that top Government priorities and coalition commitments can be delivered.
38. The reduced funding would not only impede our ability to carry out our direct functions related to climate initiatives but would further reduce funding for critical enabling services required for the efficient and effective operations of the Ministry, such as ICT, Finance and Procurement, meeting our Treaty responsibilities, and science and data. Consequently there would be a necessity to reallocate funds across all appropriations to ensure that available funding is directed towards essential functions, thereby preventing any breaches in appropriations. As cost pressures arise over the years this will further necessitate reprioritisation of the work programmes.

Next steps

39. The Treasury is now collating information from agencies on contracted expenditure from CERF initiatives to provide to the Minister of Finance as part of wider Budget advice early next week. The timeframe for taking decisions on any further CERF-related savings is unclear at this stage and will need to be considered alongside the advice from the Independent Rapid Review.
40. We have requested that if further savings are to be sought, that we be given the opportunity provide further advice on how best to potentially target that effort. Key Budget 2024 key dates are as follows:

| | |
|-------------------|---|
| 16 February | Budget 2024 Initial Baseline Exercise submissions due RM Reform initiative due |
| Mid-late February | Treasury assessment of Budget 2024 Initial Baseline Exercise and RM Reform initiative |
| 18 March | Cabinet approved the content for the Budget Policy Statement (released 27 March) setting out the Government's Budget objectives |
| 18 March | Vote Environment bilateral with the Minister of Finance |
| 16 April | Financial recommendations due for Budget 2024 package |
| 29 April | Cabinet agrees Budget 2024 package |
| 29 April - 30 May | Budget moratorium |
| 30 May | Budget 2024 will be released on 30 May 2024 |

| Initiative | Breakdown of funding status | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 & outyears | Total \$m | Agency comment (You may wish to provide further information about these initiatives' alignment with current Government priorities, or further context on any uncontracted funding, e.g. where it might be otherwise committed). |
|--|-----------------------------|------------|-------------|-------------|--------------|------------------|-------------|---|
| Maximising Carbon Storage: Increasing Natural Sequestration to Achieve New Zealand's Future Carbon Goals | Funding | 2,719,000 | 2,234,000 | 2,235,000 | 2,235,000.00 | 2,235,000.00 | 11,658,000 | This is a priority for the Government and is identified as such in coalition agreements. The MfE component includes improving understanding of land management activities and their impact on greenhouse gas emissions from organic and mineral soils, non-forest land uses. The bid established a joint agency programme to coordinate research into, and implementation of, options to maximise carbon sequestration in forestry (including wood products) and other land uses, soils and seabed. This suite of initiatives will provide the evidence base for developing new opportunities to incentivise sequestration across the land sector. |
| | Savings (-ve) | - | - | - | - | - | - | |
| | Contracted | 2,599,445 | 191,974 | 191,927 | 192,373 | 192,819 | 3,368,538 | |
| | Uncontracted | 119,555 | 2,042,026 | 2,043,073 | 2,042,627 | 2,042,181 | 8,289,462 | |
| Māori Climate Action | Funding | 2,738,000 | 3,258,000 | 3,258,000 | 3,258,000.00 | 3,258,000.00 | 15,770,000 | The development of a Māori climate platform is action 2.1 in the first emissions reduction plan (ERP) and action 3.3 in the national adaptation plan (NAP). It is, in part, a response to ministerial requirements set out under the Climate Change Response Act 2002 (CCRA) and recommendations by the Climate Change Commission (CCC). We provided further advice to the Minister of Climate Change on scaling options for the Māori Climate Platform [BRF-4150 refers]. This briefing includes options ranging from returning all funding to returning no funding. Given the reputational and relationship risks from exiting the initiative without any time for delivery by the Oho Mauri Charitable Trust we recommend continuing with the current delivery approach for now but cutting outyear funding after the deeds expire in 2025/26. This would not preclude working with the Trust to refine and potentially reprioritise deliverables outlined in the existing deeds. This option will still provide resourcing to build Māori climate action, knowledge, skills, and resilience. It enables the Trust to progress the platform to a point that it can be fully considered by Cabinet in August 2024. It shows the intent for an enduring Crown-Māori relationship and impact in the climate response but will require further budget bids to provide longer term government resourcing. |
| | Savings (-ve) | - | (647,005) | (646,945) | - | - | (1,293,950) | |
| | Contracted | 1,294,530 | 2,224,585 | 1,209,795 | 1,215,984 | 1,222,174 | 7,167,068 | |
| | Uncontracted | 1,443,470 | 386,410 | 1,401,260 | 2,042,016 | 2,035,826 | 7,308,982 | |
| Reducing Emissions from Waste | Funding | 8,600,000 | 5,865,000 | 5,565,000 | - | - | 20,030,000 | This initiative relates to ERP1 commitments and also supports the roll out and implementation of changes to the kerbside collection system to reduce emissions. It funds data, behaviour change and administration costs for the resource recovery non-departmental component. We provided this option to Ministers as a potential savings opportunity for all uncontracted funds. The contracted funds are deed agreements with third parties and data projects underway. Internal FTE costs can be transferred to the waste levy along with the funding for the resource recovery infrastructure projects and scaled back as the overall funding for emission reduction projects is scaled back. |
| | Savings (-ve) | - | (1,878,066) | (1,901,326) | - | - | (3,779,392) | |
| | Contracted | 7,354,667 | 4,365,342 | 3,495,657 | 1,414,573 | 1,421,806 | 18,052,046 | |
| | Uncontracted | 1,245,333 | (378,408) | 168,017 | (1,414,573) | (1,421,806) | (1,801,438) | |
| Climate Data Infrastructure | Funding | 2,375,000 | 5,855,000 | 8,225,000 | 8,245,000.00 | 6,175,000.00 | 30,875,000 | As outlined in his letter of priorities to the Prime Minister, this initiative delivers on improving the quality and accessibility of Climate data in New Zealand by 2027, including projections of climate impacts, emissions and evidence-based policies. The Climate data platform will have a reduced level of funding to invest in data integration, platforms, tools and expertise. A further reduction would limit the ability of this initiative to deliver on the objectives stated above. |
| | Savings (-ve) | - | (1,100,000) | (1,100,000) | (1,800,000) | (1,800,000) | (5,800,000) | |
| | Contracted | 1,652,465 | 1,164,107 | 927,878 | 932,402 | 936,926 | 5,613,777 | |
| | Uncontracted | 722,535 | 3,590,893 | 6,197,122 | 5,512,598 | 3,438,074 | 19,461,223 | |
| Delivering New Zealand's International Climate Change Target Through Offshore Mitigation | Funding | 2,149,000 | 2,349,000 | 2,484,000 | 2,484,000.00 | 2,484,000.00 | 11,950,000 | Developing and implementing a plan for delivering on the Nationally Determined Contribution is a priority for this Government. The Ministry has proposed to consolidate its climate teams and will prioritise this work. There is uncertainty on the size of the task to implement international carbon market purchasing as it is dependent on Cabinet decisions. There is a risk we may need to scale up staff numbers and contract support the Government wishes to commence purchasing. |
| | Savings (-ve) | - | (161,700) | (235,548) | (253,897) | (272,337) | (923,482) | |
| | Contracted | 1,923,369 | 2,102,000 | 2,118,493 | 2,129,374 | 2,140,256 | 10,413,492 | |
| | Uncontracted | 225,631 | 85,300 | 129,959 | 100,729 | 71,407 | 613,026 | |
| Emissions Reduction Plan Performance Monitoring | Funding | 4,132,000 | 4,132,000 | 4,132,000 | 4,132,000.00 | 4,132,000.00 | 20,660,000 | The IEB serves three key functions across the government's (interagency) climate change mitigation and adaptation work programmes: 1. Secretariat support for a number of cross-government governance boards and groups (including the new Climate Priorities Ministerial Group and the Climate Change Chief Executives Board) 2. Regular monitoring and reporting across ~25 agencies on progress in delivering the government's climate change priorities and progress towards meeting New Zealand's climate targets and goals 3. Collective governance and advice on climate change priorities, including emissions budgets, ERP and NAP Savings proposed relate to scaled back data initiatives to effectively monitor and report on cross-governmental adaptation and mitigation progress against commitments. Some of this work will need to be undertaken by MfE and is reliant on Climate Data initiative funding for delivery (see savings proposed above and related commentary). |
| | Savings (-ve) | - | (697,000) | (697,727) | - | - | (1,394,727) | |
| | Contracted | 3,323,813 | 3,428,025 | 3,467,926 | 3,485,751 | 3,503,576 | 17,209,090 | |
| | Uncontracted | 808,187 | 6,975 | (33,653) | 646,249 | 628,424 | 2,056,183 | |
| Emissions Trading Scheme – Market Governance | Funding | 888,000 | 942,000 | 640,000 | 670,000.00 | - | 3,140,000 | This is a key priority of the Government. Savings have not been proposed as funding is needed to ensure that the NZ ETS can play a central role in the New Zealand climate response. It will improve the integrity and efficiency of the NZU market, helping to ensure that appropriate market arrangements are in place and helping to prevent market failure. |
| | Savings (-ve) | - | - | - | - | - | - | |
| | Contracted | 554,002 | 340,888 | 293,707 | 295,166 | 296,626 | 1,780,389 | |
| | Uncontracted | 333,998 | 601,112 | 346,293 | 374,834 | (296,626) | 1,359,611 | |
| Enabling a Scaled-up, High Quality Voluntary Carbon Market | Funding | 1,094,000 | 744,000 | 744,000 | 744,000 | 744,000 | 4,070,000 | This funding has been proposed to be scaled back alongside other non-CERF baseline funding. The Ministry will work with the Minister for Climate Change to ensure that consolidation of staff that occurs from these proposed savings in the Climate portfolio will align to Government priorities, whilst also delivering on statutory commitments and regulatory responsibilities. This will require prioritisation and phasing, in agreement with the Minister. |
| | Savings (-ve) | - | (260,000) | (260,000) | - | - | (520,000) | |
| | Contracted | 553,555 | 505,179 | 509,109 | 511,724 | 514,339 | 2,593,906 | |
| | Uncontracted | 540,445 | (21,179) | (25,109) | 232,276 | 229,661 | 956,094 | |
| Total Contracted | | 19,255,845 | 14,322,100 | 12,214,491 | 10,177,348 | 10,228,521 | 66,198,306 | |
| Total Un-Contracted | | 5,439,155 | 6,313,129 | 10,226,963 | 9,536,755 | 6,727,142 | 38,243,143 | |
| CERF Climate total | | 4,193,822 | 6,691,537 | 10,058,945 | 10,951,328 | 8,148,948 | 40,044,581 | |
| CERF- Environmental total | | 1,245,333 | (378,408) | 168,017 | (1,414,573) | (1,421,806) | (1,801,438) | |
| Total | | 5,439,155 | 6,313,129 | 10,226,963 | 9,536,755 | 6,727,142 | 38,243,143 | |
| Non-Departmental | | | | | | | | |

| Initiative | Breakdown of funding status | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 & outyears | Total \$m | Agency comment (You may wish to provide further information about these initiatives' alignment with current Government priorities, or further context on any uncontracted funding, e.g. where it might be otherwise committed). |
|-------------------------------------|--|------------|--------------|--------------|--------------|------------------|--------------|--|
| NZ ETS market governance | Funding | 795,000 | 672,000 | 223,000 | 223,000 | - | 1,913,000 | This is a key priority of the Government. Savings have not been proposed as funding is needed to ensure that the NZ ETS can play a central role in the New Zealand climate response. It will improve the integrity and efficiency of the NZU market, helping to ensure that appropriate market arrangements are in place and helping to prevent market failure. Work incurred during 2023/24 has focussed on inputting into policy development. The more substantial costs are for implementation support which is currently awaiting direction from Ministers. We note that costs associated with technical support from Datacom will be incremental to these costs outlined. |
| | Savings (-ve) | - | - | - | - | - | - | |
| | Contracted | 260,805 | - | - | - | - | 260,805 | |
| | Uncontracted | 534,195 | 672,000 | 223,000 | 223,000 | - | 1,652,195 | |
| Reducing Emissions from Waste (MYA) | Funding | 20,043,000 | 23,300,000 | 23,600,000 | - | - | 66,943,000 | Contracted lines include some uncontracted but awarded projects that have already had funding approved by the Minister or the Ministry. The contracts for these projects are in active negotiations as funding for resource recovery infrastructure projects has been oversubscribed. A large proportion of these projects are supporting the role out of council kerbside collection infrastructure eg. bins. Existing Waste Minimisation Fund signals are able to support funding of these projects. As per targeted levy savings initiative and waste baseline savings initiative proposals, the waste levy is proposed to be used to fund both committed and uncommitted CERF projects as this funding was provided as additional funding to help achieve ERP commitments and biogenic methane targets. Risks on this have been detailed in initiative submissions. A significant consequence of this is a reduction in the overall funding available for infrastructure to deliver emissions abatement, which may make achieving emissions reduction targets less achievable or would be more costly if the enabling infrastructure investment is significantly reduced. * Target savings : Proposes broadening the scope of the waste levy to fund a more comprehensive set |
| | Savings (-ve) | - | - | - | - | - | - | |
| | Waste Minimisation | - | (8,350,000) | (8,350,000) | - | - | (16,700,000) | |
| | Waste Levy (targeted savings) * | - | (14,950,000) | (15,250,000) | - | - | (30,200,000) | |
| | Contracted | 17,418,000 | 33,664,000 | 3,648,000 | 2,147,000 | - | 56,877,000 | |
| | Uncontracted - Waste Minimisation | 2,625,000 | (18,714,000) | 11,602,000 | (2,147,000) | - | (6,634,000) | |
| | Uncontracted - Waste Levy (targeted *) | 2,625,000 | (10,364,000) | 19,952,000 | (2,147,000) | - | 10,066,000 | |
| Maori Climate Action | Funding | 1,000,000 | 8,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 39,000,000 | Savings offered from FY 2026/27 onwards. See comment in departmental section above. |
| | Savings (-ve) | - | - | - | (10,000,000) | (10,000,000) | (20,000,000) | |
| | Contracted | 1,000,000 | 8,000,000 | - | - | - | 9,000,000 | |
| | Uncontracted | - | - | 10,000,000 | - | - | 10,000,000 | |

Appendix 2: Statutory obligations and reporting requirements driven by the CCRA

| Detail of obligation/commitment | By when | How Often | Description of work required to deliver this obligation/commitment |
|---|--------------|-----------|--|
| Set emissions budgets | Dec-25 | 5 yearly | Range of economic, science, distributional impacts analysis, policy advice |
| Minister's response to CCC review of 2050 target | Dec-25 | 5 yearly | Assess and respond to CCC's review of the 2050 target (advice due Dec 2024) Range of economic, science, distributional impacts analysis |
| Whether to include international shipping and aviation in 2050 target | Dec-25 | Once | Assess and respond to CCC's review of the 2050 target also including international shipping and aviation (advice due Dec 2024) Range of economic, science, distributional impacts analysis |
| Respond to CCC annual monitoring report on ERP and NAP | Oct-24 | Annual | Draft advice, draft response, submit to Minister. Response also needs to be published and Tabled in Parliament. |
| Run quarterly ETS auctions | Indefinitely | Quarterly | Procure, oversee and support third party contractor (NZX) to provide auction service |
| Collect and administer auction collateral | Indefinitely | Quarterly | Collect, deploy and repay auction collateral |
| Monitor auctions | Indefinitely | Quarterly | Post auction monitor report |
| Administer ETS appropriations and provide ETS accounting | Indefinitely | Various | Collate cross agency forecasts, specific fiscal risks, unit reconciliations, financial reporting, provide ETS inputs into the Crown accounts |
| Responsibility to administer CCRA | Indefinitely | Various | Various workstreams to ensure that the CCRA is administered appropriately. Includes (but is not limited to) oversight and assurance of EPA and MPI, powers, functions and delegations. |

| Detail of obligation/commitment | By when | How Often | Description of work required to deliver this obligation/commitment |
|---|---|--|--|
| ETS Backstop | Reporting ongoing for processors (until repealed), reporting commences 1 Jan 2026 for farmers | Annually | One off project underway to repeal all agricultural obligations in the ETS under the CCRA. Reporting requirements will cease once repealed. |
| Develop and publish ERP | Dec-24 | 5 yearly | All of Government mitigation strategy Includes considering the advice received from the Commission and conducting any consultation necessary to ensure consultation has been adequate |
| Update ETS unit limits and price control settings, set auction calendar to ensure they cover the next five calendar years | 30 September every year | Annually | Annual regulatory process to update regulations before 30 September every year ensure NZ ETS auction unit limits and price controls are in place for five calendar years. Set the auction calendar for the following year. |
| Review and update industrial allocation baselines for activities that receive allocation | While industrial allocation remains in place | At least every ten years and optionally after five years | Initiated by an amendment Bill to the CCRA in 2023, baselines must be reviewed every ten years, and may optionally be reviewed after five years by the Minister. This year we are implementing the first full review and update of IA baselines for all 26 eligible activities through regulations before November 2024. |
| Update industrial allocation baselines for all allocation activities for changes in the general electricity allocation factor | While industrial allocation remains in place, before 30 April annually | Annually | The Electricity Authority must calculate the general EAF each year and report to the Minister. We then update all allocative baselines, ahead of 30 April deadline to submit allocation returns. |

| Detail of obligation/commitment | By when | How Often | Description of work required to deliver this obligation/commitment |
|--|----------------------------------|----------------|--|
| Biennial Transparency Report (BTR) - LULUCF Sector input | Sep-24 | Bi-annual | <p>The BTR is produced every 2 years, and documents NZ's progress on implementing the Paris Agreement. This includes how we are progressing with climate action to reduce emissions, adapt to climate change impacts, and the support we have provided to others. To hold us to account for our climate change commitments, the BTRs are also subject to a robust review process.</p> <p>The Carbon Sequestration team is responsible for producing the LULUCF sector of the BTR. This also includes tracking progress towards our international NDC target under the Paris agreement. As part of this the team is responsible for documenting the current accounting approach used for LULUCF.</p> |
| New Zealand's Greenhouse Gas (GHG) Inventory - LULUCF Sector | Jan-24 | Annually | <p>New Zealand's GHG Inventory is NZ's official annual report of all human induced emissions and removals of greenhouse gases occurring in New Zealand. The Carbon Sequestration team is responsible for producing the LULUCF sector of the NIR. This involves inputs into data modelling such as the Land Use Map (LUM) produced every 5 years, deforestation monitoring, LUCAS plot data to monitor carbon stocks and carbon stock change in our natural and planted forests and data to estimate carbon stocks in our harvested wood products. The work is compiled over a full year with science and research components carried out annually and subsequent work to implement any improvements in the data modelling. This process has been developed in line with IPCC guidelines to continually improve the inventory estimates as agreed to under the Paris agreement.</p> |
| Develop a National Adaptation Plan | Within 2 years of the last NCCRA | 6 yearly (max) | In response to each national climate change risk assessment (NCCRA) a national adaptation plan must be prepared. |

| Detail of obligation/commitment | By when | How Often | Description of work required to deliver this obligation/commitment |
|---|------------------------|-------------------|---|
| MCC response to Climate Change Commission's progress report on national adaptation plan | No later than 6 months | Bi-annual | Every two years in the 6 year national adaptation plan timeline, the Commission must provide the MCC with a progress report evaluating implementation of the adaptation plan and its effectiveness. The Minister must, no later than 6 months after the date on which the report is received respond in writing to the progress report, make it publicly available, and present it to the House of Representatives |
| Sharing of information collated under information request provisions in s.5ZW | Asap | Anytime s5ZW used | MCC and/or the Climate Change Commission must, as soon as Practicable, provide theCCC/MCC with a copy of any information received in response to and information request made under section 5ZW |
| Planned Methodological Improvements Report for NZ GHG Inventory Report - LULUCF Sector | Feb-24 | Annually | This report outlines the main methodological changes that we are planning to make in each upcoming Inventory and their estimated impact (compared against the previous year's methodology). Carbon Sequestration team has an improvements memo that summarises any of the improvements in the LULUCF sector and feeds into this main report. This gets presented to the Reporting Governance Group and is approved for implementation. This is part of the process for continual improvements to the National Inventory Report as one of the requirements under the Paris Agreement. |
| New Zealand's Greenhouse Gas (GHG) Inventory | Apr-24 | Annually | The Emissions Insights & Reporting (EIR) team is responsible for compiling and publishing New Zealand's GHG Inventory (the GHG Inventory). The GHG Inventory is NZ's official annual report of all human induced emissions and removals of greenhouse gases occurring in New Zealand, and fulfill's New Zealand's international and domestic reporting obligations under the CCRA. MfE is the lead agency responsible for compiling the report and works closely with MBIE, MPI, EPA, and the Tokelau Government. In addition to producing the report and annexes, EIR also produces supplementary products (e.g., a Snapshot and infographic of the key findings and data tables, and an interactive emissions tracker). |

| Detail of obligation/commitment | By when | How Often | Description of work required to deliver this obligation/commitment |
|---|---------|-----------|--|
| New Zealand's Greenhouse Gas (GHG) Inventory - Tokelau sector | Apr-24 | Annually | The Emissions Insights & Reporting (EIR) team is also responsible for the Tokelau sector of the GHG Inventory. EIR obtains the data from the Tokelau Government and writes the Tokelau chapter on their behalf. |
| New Zealand's Greenhouse Gas (GHG) Inventory- IPPU sector | Apr-24 | Annually | The Emissions Insights & Reporting (EIR) team is also responsible for the IPPU sector. This involves procuring the data from an external provider and writing the IPPU chapter in the GHG Inventory. |
| Biennial Transparency Report (BTR) | Dec-24 | Bi-annual | The Emissions Insights & Reporting (EIR) team is responsible for compiling and publishing the Biennial Transparency Report. The BTR is produced every two years, and documents New Zealand's progress on implementing the Paris Agreement and fulfils New Zealand's international reporting obligations under the CCRA. The BTR will include how we are progressing with climate action to reduce emissions, adapt to climate change impacts, and the support we have provided to others. MFE is the lead agency for producing the report, and will be working closely with Treasury, MBIE, MPI, MoT, ECCA. MFAT. To hold us to account for our climate change commitments, the BTRs are subject to a robust review process (which includes review by the UNFCCC Expert Review Team and having to answer questions from other Parties through Multilateral Assessments). |
| Biennial Transparency Report (BTR) - IPPU sector | Dec-24 | Bi-annual | The Emissions Insights & Reporting (EIR) team is also responsible for producing content on the IPPU sector of the BTR |
| Biennial Transparency Report (BTR) - Tokelau sector | Dec-24 | Bi-annual | The Emissions Insights & Reporting (EIR) team is also responsible for producing content on the Tokelau sector of the BTR |

| Detail of obligation/commitment | By when | How Often | Description of work required to deliver this obligation/commitment |
|---|--------------|------------------|---|
| National Communications reports | Dec-26 | Every four years | The Emissions Insights & Reporting (EIR) team is responsible for compiling and publishing the National Communications reports. This includes information such as: the national circumstances, GHG trends, policies and measure in place, climate change impacts etc. MfE is the lead agency and works closely with other central agencies to complete this report. |
| National Communications reports - IPPU sector | Dec-26 | Every four years | The Emissions Insights & Reporting (EIR) team is also responsible for producing content on the IPPU sector of the National Communications report |
| National Communications reports - Tokelau sector | Dec-26 | Every four years | The Emissions Insights & Reporting (EIR) team is also responsible for producing content on the IPPU sector of the National Communications report |
| Implementation of the Paris Agreement's Enhanced Transparency Framework | Indefinitely | Annually | As a signatory to the Paris Agreement, New Zealand is expected to participate in reporting and review activities. These include, for example, reviewing other countries' reports; participating in Transparency negotiations at COP and the mid-year Subsidiary Bodies meetings in Bonn, Germany; and hosting the UNFCCC's Expert Review Teams during in-country reviews. The Emissions Insights & Reporting (EIR) team leads the Transparency negotiations on behalf of New Zealand at these international fora and hold the expertise for international reporting of GHG emissions. |
| Consider Māori rights and interests in emission reduction plans | Indefinitely | Quarterly | 1) Undertaken Māori rights and interest analysis early and regularly in the policy development process. 2) Engage/partner with Māori for the development of climate policy |
| Consider Māori rights and interests in climate impact adaptation plans | Indefinitely | Quarterly | 1) Undertaken Māori rights and interest analysis early and regularly in the policy development process. 2) Engage/partner with Māori for the development of climate policy |



| Detail of obligation/commitment | By when | How Often | Description of work required to deliver this obligation/commitment |
|---|--------------|-----------|--|
| Engage and consult with Māori on any climate policy | Indefinitely | Various | Engage and consult with Māori on any climate policy |



Vote Environment: Budget 2024 Initial Baseline Exercise Summary

Section 1: Overview

Summary of proposed operating baseline changes through Budget 2024

| | Impact \$m increase/(decrease) | | | | | |
|--|--------------------------------|-----------------|-----------------|-----------------|--------------------------|------------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 & Outyears | Total |
| Total submitted for baseline reduction target | - | (49.100) | (49.100) | (49.100) | (49.100) | (196.400) |
| If required: total amount of targeted policy savings | - | (40.100) | (41.730) | (10.000) | (10.000) | (101.830) |
| Total amount of revenue options | - | - | - | - | - | - |
| Total savings/revenue proposed | - | (89.200) | (90.830) | (59.100) | (59.100) | (298.230) |
| cost pressure funding sought (not invited) | - | - | - | - | - | - |
| new spending sought | - | 30.150 | 31.887 | 31.887 | 26.934 | 120.858 |
| Total new funding sought | - | 30.150 | 31.887 | 31.887 | 26.934 | 120.858 |
| Net impact of all Budget 2024 proposals | - | (59.050) | (58.943) | (27.213) | (32.166) | (177.372) |

Section 2: Alignment with Government Priorities


Government priorities for Vote Environment

All but one of the proposals for Vote Environment relate to cost savings and contribute to the Government's fiscal sustainability programme and Budget 2024 priority of delivering effective and fiscally sustainable public services.

The new funding sought for resource management reform directly contributes to the Budget 2024 priority of building for growth and prioritising private enterprise. This is Vote Environment's only new funding request.

Following the repeal of the Natural and Built Environment Act and Spatial Planning Act, the Government priorities for resource management reform comprise:

- introducing a one-stop-shop fast-track permitting and consenting regime to make it easier to consent certain projects
- changes to streamline and simplify the Resource Management Act 1991 (RMA), and make it easier to consent new infrastructure, allow farmers to farm, get more houses built and better enable aquaculture and other primary industries

- 
- amending and developing national direction under the RMA to remove red-tape and provide councils, farmers, and landowners the tools, flexibility, and increased certainty they need to grow the economy while still achieving environmental outcomes
 - ceasing implementation of Significant Natural Areas and reviewing the Natural Policy Statement for Indigenous Biodiversity
 - replacing the RMA with new legislation based on property rights.

Government priorities for the environment beyond RM reform comprise:

- ensuring fit for purpose waste legislation and a better understanding of vulnerable landfills, as part of an ongoing focus on waste minimisation
- progressively building a more reliable and relevant evidence-base and data systems to assist decision-makers to make informed decisions, target interventions, and increase system efficiency
- better management of hazardous substances, to minimise their impact on human health and the environment.

The Government priorities for climate change are to:

- strengthen New Zealand's ability to adapt to the effects of climate change
- unlock private investment and partnerships in New Zealand's climate response
- take action to put and keep New Zealand on a path to meeting its climate targets
- strengthening international climate change engagement and cooperation
- drive a whole-of-government approach to New Zealand's climate response, including delivering the actions required to put New Zealand on a 'pathway to net zero'.

Much of the Ministry's existing expenditure is now directed at delivering the priorities listed above. Key areas of existing expenditure include:

- policy development and advice to support decision-making and progress on Government priorities
- necessary support for policy development, including legal advice and specialist engagement and project management support
- investment in foundational research and evidence, to target interventions and assist decision-makers to make informed decisions
- support to ensure Treaty obligations are met
- support for implementation, so intended Government outcomes are achieved through the roll-out of legislation and other policies
- non-departmental investments that support:
 - waste minimisation, an important contributor to emissions reduction
 - environmental improvement, including the Contaminated Sites Remediation Fund, Kaipara Moana Remediation, Waikato River Clean-Up

Fund, Fresh Water Improvement Fund and Rotorua Lakes Restoration Programme

- non-departmental spending directed to the Climate Change Commission (CCC) and Environmental Protection Authority (EPA) to enable them to undertake their required functions under relevant legislation.

Existing expenditure also includes performing mandatory legislative obligations and meeting international commitments. These include those under the:

- Climate Change Response Act 2002 (e.g. setting of emissions budgets and emissions reduction plans)
- RMA (e.g. performance of statutory functions, including monitoring council and system performance)
- various Treaty Settlements, Deeds and Agreements
- Environmental Reporting Act 2015 (e.g. delivery of six-monthly reports)
- various international agreements
- Public Services Act 2020 (e.g. regulatory stewardship responsibilities)
- Public Finance Act 1989 (e.g. annual reports).
- Hazardous Substances and New Organisms Act 1996 (e.g. approvals by the chief executive)
- Environment Act 1986 (e.g. advising on significant environmental impacts of public or private sector proposals).

Recent trends in expenditure and FTE growth over the past five years

The Ministry was smaller in 2017/18 (\$68.1m departmental funding, \$87.3m when inflation-adjusted) but performed significantly fewer functions. While some of the growth since 2017 was due to time-limited reforms in RM, freshwater, waste minimisation and climate change, the Ministry's work now also covers:

- supporting and operating new climate change architecture, including developing the Emissions Reduction Plan and the National Adaptation Plan, and oversight of new entities and programmes, including the Climate Change Commission, the Carbon Neutral Government Programme, and the Interdepartmental Executive Board for Climate Change
- supporting the New Zealand Emissions Trading Scheme, allocation levels/carbon unit caps and ETS carbon unit auctions
- severe weather event recovery, regional support, and responses to other emergencies, including the Kaikoura earthquake and per- and poly-fluoroalkyl substances (PFAS) chemical contamination
- developing and supporting multiple national direction instruments, including the national policy statements on freshwater and urban development
- implementing the Environmental Reporting regime (with Stats NZ) and improvements to the environmental knowledge system
- leadership of the All of Government Climate Data Initiative

- fast-track consenting and Jobs for Nature
- a greater focus on policy implementation and delivery enablement by working with councils, iwi/Māori, the primary sector, not-for-profit and the science community
- a more comprehensive waste management programme, including new product stewardship schemes, changes to the Waste Disposal Levy and more robust compliance monitoring and enforcement across many more landfills
- coordination of the Local Government Steering Group and cross-agency working groups to test policy design and implementation.

Key features of Vote Environment before baseline savings target are implemented

| \$m | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Departmental Output Appropriations | 68.1 | 72.1 | 91.7 | 118.7 | 166.4 | 222.0 | 267.9 | 176.9 | 155.9 | 149.4 | 146.7 |
| Non-Departmental Appropriations (Crown excl ETS) | 59.3 | 57.0 | 76.0 | 117.1 | 127.2 | 142.6 | 235.2 | 227.3 | 142.5 | 98.3 | 97.3 |
| Non-Departmental Appropriations (waste-levy & PS tyres) | 30.1 | 34.0 | 30.4 | 28.8 | 46.3 | 65.2 | 174.7 | 319.6 | 353.6 | 390.0 | 392.7 |
| Total Appropriations (excl ETS) | 157.5 | 163.0 | 198.1 | 264.7 | 339.8 | 429.7 | 677.8 | 723.8 | 652.0 | 637.7 | 636.7 |

*Source is October Baseline Update appropriations (adjusted for December 2023 mini-Budget reductions). Emissions Trading Scheme (ETS) non-cash related appropriations are excluded due to their size and the fact these are outside the control of the Ministry.

The table above does not include the baseline savings target reductions.

Total funding for Vote Environment after the mini-Budget peaks at \$724m in 2024/25 before declining to \$637m by 2027/28.

Departmental funding falls significantly: it peaks in 2023/24 at \$268m and then falls by 45 percent over four years to \$147m in 2027/28. This sees the Ministry's Environment departmental appropriation return to levels similar to 2021/22, and in inflation adjusted terms, closer to what it was in 2020/21.

Non-Departmental funding is comparatively more stable: it peaks at \$547m in 2024/25 and then declines to \$490m in 2027/28. While the total is relatively stable, there are important changes to the non-departmental funding profile across the forecast period:

- By 2027/28, non-departmental funding including the waste levy makes up around three quarters of the total Vote.
- The waste levy and product stewardship tyres scheme are ring-fenced appropriations and are also excluded from baseline savings options but were included in the eligible baseline calculation for the savings target. By 2027/28 they make up 62 percent of the total Vote.
- Excluding the waste levy and tyres scheme (which grows over the period), non-departmental appropriations decline by 59 percent from 2023/24 to 2027/28. This is mostly due to time-limited funding ending for Jobs for Nature, and Waste emissions reductions and Waste infrastructure projects.

By the end of the forecast period, the Waste levy and tyres scheme fees are over half the Ministry's the eligible baseline. As the waste levy is the subject of targeted savings the accessible baseline for finding baseline savings is halved. This effectively doubles the Ministry's baseline reduction target from 7.5% to 15%.



Strategic approach to identifying savings

The baseline reduction exercise has included:

- oversight from the Ministry’s executive team
- each Ministry business unit identifying savings options and an internal team looking at options for cross-Ministry efficiency saving options
- options provided to Ministers with implications and trade-offs identified
- integrating all other related deliverables to ensure consistency including the baseline review, RM Budget 24 bid, and work on the Ministry’s strategic priorities and performance targets
- engagement with Crown Entities (CCC, EPA).

The following table provides a ranking of preferred savings proposals and invited spending proposals.

| | Ranking of savings proposals | Ranking of spending proposals |
|----|--|--|
| 1. | Environment Targeted Savings - Waste Disposal Levy | Resource management reform - replacement |
| 2. | Environment Baseline Savings - Back-office enabling functions and services | |
| 3. | Environment Baseline Savings - Partnerships and Engagement | |
| 4. | Environment Baseline Savings – Freshwater | |
| 5. | Environment Baseline Savings – Waste Minimisation | |
| 6. | Environment Baseline Savings - Climate Change | |
| 7. | Environment Baseline Savings – Climate Change Commission | |
| 8. | Environment Baseline Savings – Evidence and Data | |



Section 3: Planning for Managing Within Baselines

Operating cost pressures

The Ministry has identified potential cost pressures of s 9(2) over the forecast period:

| Cost pressure/driver (\$'000) | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total |
|-------------------------------|---------|---------|---------|---------|---------|-------|
| s 9(2)(f)(iv) | | | | | | |

Approach to managing cost pressures

The Ministry has put in place a range of measures to reduce spending in 2023/24 and guide us towards becoming a smaller and more efficient organisation:

- reduced the size of the Ministry's senior leadership team and achieved cost savings
- slowed recruitment
- managing down forecast contractor and consultancy spend, expected to continue to fall in 2024/25
- stopped work that is not aligned with the government's work programme.

The Ministry has worked with Ministers to understand their work programme priorities and identify savings options. A key priority is now resetting the work programme based on the new Government's priorities and in line with a smaller appropriation.

Various opportunities to find efficiencies were identified by the Ministry's recent operating model review and will be implemented alongside the new, smaller work programme.

The Ministry is also taking opportunities to reduce property footprints as they arise.

Mitigating delivery risks will get increasingly difficult later in the forecast period as unfunded cost pressures continue to rise while the appropriation continues to shrink.

Risks to delivering Government priorities

Savings proposals will see a material reduction in capacity and capability, degrading the Government's ability to respond to New Zealand's varied environmental challenges.

Implementing the required savings is expected to have the following impact on the Ministry's functions:

- 
- abolishing the Spatial Planning Policy Office and reducing our spatial planning capability
 - a significant reduction in our RM policy and implementation capability
 - a reduction in our technical planning capability
 - a reduction in our ability to maintain and operate the RM system
 - a reduction in science, evidence and data capability and investment to support robust decision-making and meaningful measurement of progress and performance toward outcomes
 - a reduction in our communications and engagement capacity, including working with Māori, local government, and industry to enable the delivery of policy
 - a reduction in climate change policy capacity
 - a reduction in urban and infrastructure policy capacity
 - a reduction in systems thinking, behavioural change and outlook projection capability
 - proportionate decreases in systems and services supporting our regulatory work.

If the RM budget bid is unsuccessful then significant reprioritisation of the remainder of the work programme will be required, affecting all portfolios within Vote Environment.

Not funding this initiative would also have material detrimental impacts on core capability for central services funded by overheads that was part of Budget 22 funding returned in the mini-Budget and further reduced by Budget 24 savings targets.

Non-departmental savings initiatives will reduce funding for regional and community-based environmental organisations that is likely to also impact their staffing levels.

There is a key strategic risk that implementing cost savings reduces deferred investment in improving data and evidence needed to monitor environmental performance. Retaining funding in this area has been prioritised throughout the cost savings exercise but this risk will need to keep being closely monitored.

Environmental Protection Authority (EPA)

2023/24 is the EPA's seventh consecutive deficit year, with 2023/24 budgeting a deficit of \$3.981 million. Expenses have been larger than funding due to new functions and Ministerial expectations being added over time as well as inflationary pressures. Budget 2023 gave some relief through a baseline uplift, though this was substantially smaller than that recommended by an independent funding and functional review.

Bringing back to a future breakeven position requires substantial cost cutting. The proposal is to:

- target a breakeven position for 2024/25 and beyond

- identify immediate savings through:
 - downscaling compliance-engagement & sector education-based activity such as through Fielddays and engagement with Young Farmers
 - combat future inflation through downsizing offices and the removal of staff car parks
 - substantially reduce investment in the Emissions Trading Register. This asset is close to end of life so this will require the EPA to cease long term investment into upgrading the Register and instead shift to 'maintenance only' mode.
- use the outcomes of the ongoing *Strategic Review* and the *Operating Model* (expected to be completed and implemented from 1 July 2024) to inform the approach for ensuring the EPA becomes cost-neutral to the Crown.

The EPA can make savings to reduce expenditure and operate within existing baseline, but this will not reduce current planned Crown Funding.

Climate Change Commission (CCC)

Like the Ministry, the CCC faces cost pressures which, in the absence of an opportunity to submit a budget bid, will have to be absorbed within their smaller appropriation. Cost pressures include:

- unfunded Ministerial direction under section 5K of the Climate Change Response Act 2002 (CCRA)
- potential for increased legal spend from anticipated litigation related to the Commission's statutory deliverables, especially if cost pressures lead to reduced quality of statutory deliverables (and the current action under consideration by the Court of Appeal which may necessitate Supreme Court follow up)
- increased costs from a potential additional Board member and additional Board meetings
- general cost pressure due to inflation and wage pressures.

The CCC is forecasting a deficit in 2024/25. Absorbing these costs pressures within a reduced baseline budget will likely increase the deficit and exhaust the CCC's retained earnings within the next two years.