

Waste levy allocation via B25 – context and choices

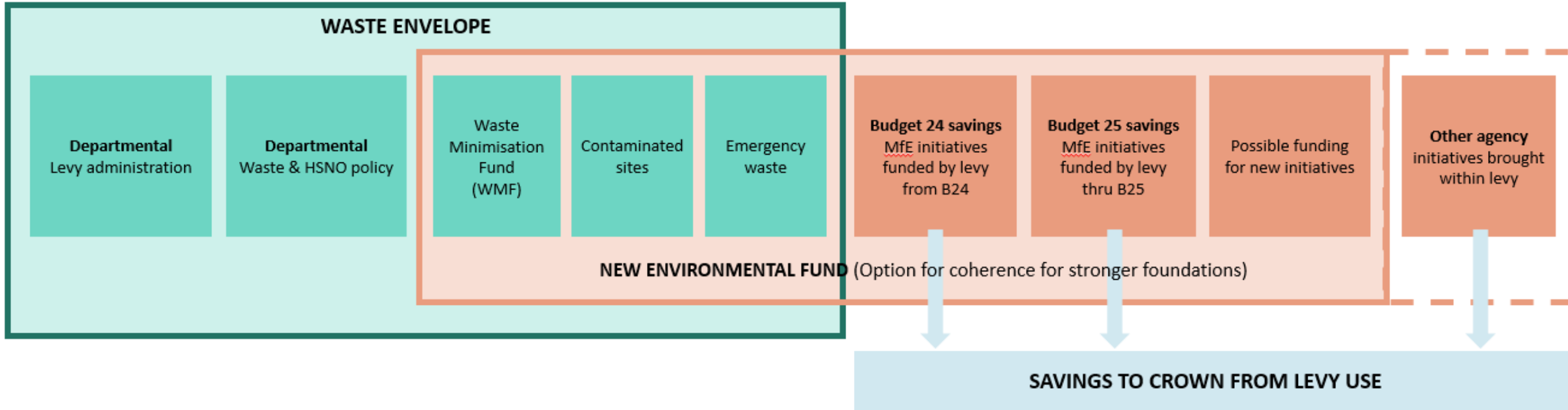
These slides provide information for your upcoming meeting with Minister of Finance

Recap and key points



- Budget 24 expanded the levy for savings. Bigger picture issues largely deferred to Budget 25 – waste envelope, broader savings, strategic investment
- Modelling indicates a surplus of \$70m pa is available for allocation (\$348m across the four-year budget period less 20% buffer)
- Treasury/MoF believes the surplus should go to savings and scaling up contaminated land remediation
- A mix of options is possible: savings, contaminated land remediation and new investment eg catchment groups
- At the same time, a new broad investment fund could integrate some of the allocation choices (eg contaminated land, catchment groups), putting the investment landscape on a stronger and more coherent footing for the future.
 - Some of the surplus could also go into the fund to support contestable allocation for new initiatives
 - Separate advice will shortly be provided on the proposed fund
- The surplus figure assumes that as well as the \$30m for the WMF, ~\$46m is applied to other non-discretionary waste areas like the waste levy administration
 - \$30m (up to \$40m) can be funded by historic underspend

Understanding the broad allocation options



BASELINE AMOUNTS (\$104.8m total)					
\$13.6m	\$12.5m	\$30m*	\$20m	\$28.7m	

ALLOCATION OF SURPLUS LEVY FUNDS – refer to slide 5

* Funding for the WMF (up to \$40m each year) would *not* use levy surplus (given ability to use historic underspend)

WMF cap options

You can agree to \$30m annual cap for WMF or pursue a higher amount. The considerations involved in these choices are set out below

Options	Comment
1. Agree to \$30m annual cap	<ul style="list-style-type: none"> • No impact on surplus (can use historic underspend) • Restricts WMF to ERP2 focus only • Supported by TSY/MoF
2. Increase to \$40m Recommended	<ul style="list-style-type: none"> • No impact on surplus (can use historic underspend) so is a no-regrets decision • Supports non-ERP2 priorities eg C&D, plastics – although minimal • Not supported by TSY/MoF
3. Increase beyond \$40m	<ul style="list-style-type: none"> • Reduces surplus • Supports a greater range of non-ERP2 priorities eg C&D, plastics • Greater risk of underspend • Not supported by TSY/MoF

Recommended allocation of the surplus

The table below sets out our initial recommended allocation of the estimated surplus of approximately \$70m/yr on average

This distribution would provide significant savings as required by Minister of Finance, contribute towards the priority highlighted by Treasury regarding remediation of contaminated land, and also provide funding for your priorities (eg catchment groups)

Options	Comment
Savings Recommendation: \$30m pa	<ul style="list-style-type: none"> • Savings at this level pa equate to ~\$120m over the full budget period • This level allows the highest priorities in Treasury's advice to be addressed • Includes \$4.4m pa savings from Ministry's Grants and Funds
Crown site liability reduction Recommendation: \$20m pa	<ul style="list-style-type: none"> • Treasury highlighted the existence of a number of large contaminated sites which potentially represent environmental liabilities to the Crown
New investments Recommendation: \$20m pa	<ul style="list-style-type: none"> • This level of funding provides scope to address key priorities including catchment groups as well as other investment opportunities eg updated EPA toxicity models

Key choices

Key items to seek agreement on from Minister of Finance:

- WMF cap (if you wish to pursue a higher figure than \$30m pa)
- Use of the surplus
 - Key priorities for the surplus
 - Concept of new fund as a vehicle (even if no additional funding)

Next steps

A paper to Joint Ministers (recommended) or Cabinet recording decisions

Further detail

Treasury's options for savings [move to supplementary detail?]



Treasury's advice to Minister of Finance set out options for use of the remainder to provide Savings to the Crown.

These are summarised below:

MfE (\$4.35m pa)

- Promotion of Sustainable Land Management
- Kaipara Moana Remediation

DoC (\$18.3m pa)

- Community Conservation Funds
- Ngā Whenua Rāhui fund
- Landscape Scale Eradication and Research Investment – Zero Invasive Predator

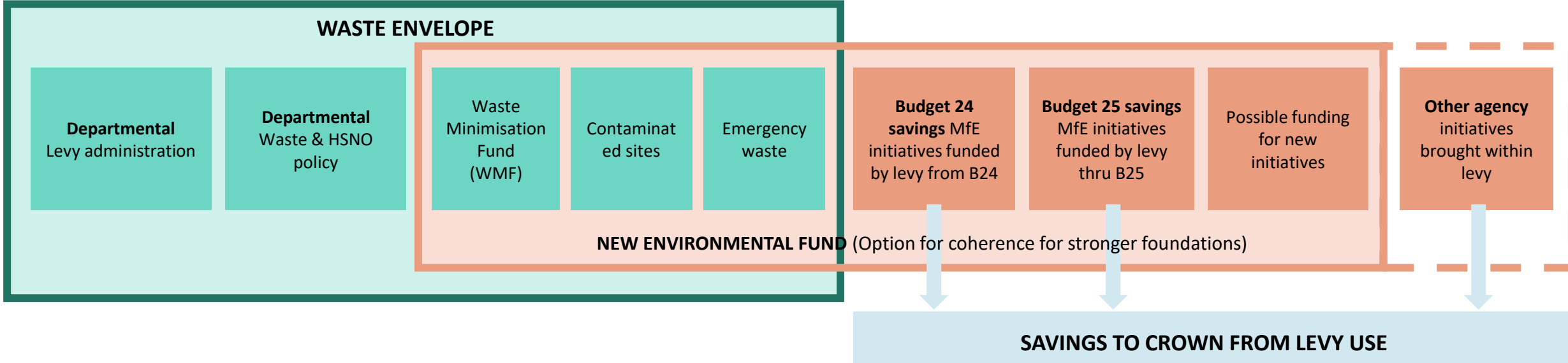
MPI (\$82.2m pa)

- Accelerating New Greenhouse Gas Mitigations Fund
- Hill Country Erosion Fund

Historical underspend

- There is \$96m in the WMF that is an underspend from before the WMA amendments last year
- Must be spent on waste minimisation under WMA – in effect a protected pool
- If WMF cap is \$30m, this underspend is enough to fund the WMF throughout the forecast period¹
- In other words, no current levy revenue would be needed for WMF over the forecast period
- If the cap was higher (say \$40 or \$50m), the underspend would be used up before the end of the forecast period, meaning a allocation from current revenue would be required
- The amount of that allocation would reduce the headroom correspondingly.

¹ modelled on forecast expenditure trajectories not allocation to new projects



BASELINE AMOUNTS (\$104.8m total)

\$13.6m

\$12.5m

\$30m*

\$20m

\$28.7m

ALLOCATION OF SURPLUS LEVY FUNDS – refer to slide 6