



## PROACTIVE RELEASE COVERSHEET

<b>Minister</b>	Hon Chris Bishop, Hon Simon Watts, Hon Penny Simmonds	<b>Portfolio</b>	RMA, Climate Change, Environment
<b>Name of package</b>	Budget 25	<b>Date to be published</b>	

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
6 December 2024	BRF-5672 – Briefing: Budget 25 initial advice	Ministry for the Environment
6 December 2024	BRF-5672 – Briefing: Budget 25 initial advice	Ministry for the Environment
13 December 2024	BRF-5717 – Briefing: Final decisions on the Budget 25 package	Ministry for the Environment
18 December 2024	BRF-5719 – Briefing: Vote Environment Budget 25 letter to the Minister of Finance	Ministry for the Environment
18 December 2024	BRF-5719 – Briefing: Vote Environment Budget 25 letter to the Minister of Finance	Ministry for the Environment
18 December 2024	BRF-5719 – Briefing: Vote Environment Budget 25 letter to the Minister of Finance	Ministry for the Environment
24 January 2025	BRF-5779 – Briefing: Climate change portfolio fiscal strategy	Ministry for the Environment
03 February 2025	BRF-5797 – Briefing: Potential options for NZGIF funds	Ministry for the Environment
10 April 2025	BRF-5834 – Briefing: Estimates documents for final approval	Ministry for the Environment
13 February 2025	BRF-5860 – Briefing: Emissions trading scheme exemption for Waitaki District Council	Ministry for the Environment
14 February 2025	BRF-5870 – Briefing: Budget 25 – climate portfolio	Ministry for the Environment
20 February 2025	BRF-5893 – Briefing: Baseline Savings Exercise – draft response	Ministry for the Environment
25 February 2025	BRF-5910 – Briefing: Establishing an Environmental Investment Fund	Ministry for the Environment
26 February 2025	BRF-5910 – Briefing: Establishing an Environmental Investment Fund	Ministry for the Environment
10 April 2025	BRF-5945 – Briefing: Estimates documents for final approval	Ministry for the Environment
19 March 2025	BRF-5950 – Aide memoire: Vote environment performance plan	Ministry for the Environment
13 March 2025	BRF-5971 – Briefing: Resource management implementation funding	Ministry for the Environment

	BRF-6061 – Briefing: Budget 2025: Waste Levy allocation decisions and consolidating environmental funds	Ministry for the Environment
22 May 2025	BRF-6244 Waste Minimisation Fund (WMF) investment priorities	Ministry for the Environment
	CAB-554 – Budget 2025: Waste Levy allocation and consolidating environmental funds	Ministry for the Environment
	CAB-554 – Budget 2025: Waste Levy allocation and consolidating environmental funds	Ministry for the Environment

**Information redacted      YES      NO**

Any information redacted in this document is redacted in accordance with the Ministry for the Environment’s policy on proactive release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

**Summary of reasons for redaction**

Some information has been withheld from *[Document title]* under Section [section] of the Official Information Act [reason].



## Briefing: Budget 25 initial advice

Date submitted: 6 December 2024

Tracking number: BRF-5672

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Chris BISHOP <b>Minister Responsible for RMA Reform</b> Hon Simon WATTS <b>Minister of Climate Change</b> Hon Penny SIMMONDS <b>Minister for the Environment</b>	Review and provide direction to further develop the Budget 25 package (due to the Treasury by 23 December 2024)	10am, Monday 9 December 9 2024
CC Hon Andrew HOGGARD <b>Associate Minister for the Environment</b>	N/A	N/A

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment ( <a href="mailto:ministerials@mfe.govt.nz">ministerials@mfe.govt.nz</a> ).

Appendices and attachments
<ol style="list-style-type: none"><li>Budget 25 Letter</li><li>Minister Seymour Letter (Climate portfolio only)</li><li>Detailed advice on waste levy savings options</li><li>Detailed advice on grants and funds savings options</li></ol>

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Charlotte Wood	9(2)(a)	
Chief of Staff	Martin Workman	022 517 3268	✓

Minister's comments

Note: Appendices 1 & 2 are refused in full under section 18(d) of the Act as the information will be made available on the Treasury's website by 7 August 2025.

# Budget 25 initial advice

## Key messages

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1. The Minister of Finance (MoF) has written to Ministers making clear Budget 2025 is focused on boosting economic growth and requires fiscal discipline from agencies, including savings, to fund Government priorities and achieve better economic outcomes. Ministers for Environment and Climate were asked to find savings within funds and grants, including waste minimisation. The Minister Responsible for RMA Reform was invited to put forward a bid for Resource Management (RM) implementation.
2. The Ministry is already managing a steep funding and staffing decline following the 2023 Mini Budget and Budget 24. We are on track to 9(2)(f)(iv) 1 July 2027 to 9(2)(f)(iv) FTEs, from 1,230 funded in 2023/24. In this context, our approach to Budget 25 is calibrated to balance further savings with the need to deliver the Government's RM reforms and other priorities along with our statutory obligations.
3. In Budget 24 the Ministry was funded for the scaled delivery of Phase 1, 2, and some parts of Phase 3 of the Coalition Government's RM reforms. Full funding for the delivery and implementation of Phase 3 was not included. Minister Bishop has requested the Ministry proceed with the invitation for a bid in Budget 25 to cover the rest of this work programme. This briefing provides initial advice on what such a bid might entail.
4. This paper also outlines choices for capping the Waste Minimisation Fund (WMF), including an additional recommended option for a \$50m cap which we consider strikes a better balance for overall use of the levy and ensuring high-quality investments.
5. Decisions could also be made through the Budget process to hold back some of the residual levy for later years, including for the implementation of environmental reforms or responding to other emerging priorities. For example, a broader investment fund could be used to incentivise public and private actors to contribute to improved environmental outcomes, enabling a deregulated approach in areas such as catchment management or biodiversity enhancement.
6. We have provided options for reducing and consolidating the overall portfolio of environmental funds, with potential savings of up to \$11.815m each year. This includes making broader use of the waste disposal levy. We have also suggested a reset of the fund landscape which could introduce one or more broader funds, replacing small, siloed funds that offer less value-for-money.
7. Minister Seymour has also requested additional savings be found from the Climate portfolio as part of his Baseline Saving Programme with a response due on 13 February 2025. This will need to be incorporated into any final Budget 25 proposal. Given our funding track and the need to partly resource any RM bid through reprioritisation, any extra savings will reduce the Ministry's overall capacity to deliver government work programmes and our statutory obligations.
8. We seek your feedback and decisions on the recommendations below by 10am on 9 December 2024, so we can refine the package further ahead of officials' meetings with

you and provide advice seeking final decisions in your weekend bag that week. While decisions rest with each respective responsible minister, they will require discussion between yourselves when these interact across portfolios.

## Recommendations

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We recommend you:

- a. **Note** that further baseline savings work in the Climate portfolio has been requested by Minister Seymour (Appendix 2 refers).

*Minister Bishop: Decisions on implementation of resource management reforms*

- b. **Agree** an RM Budget Bid will be submitted, comprising:

- i. Up to 9(2)(f)(iv) over four years for FTE and non-FTE costs, with options to scale and/or reprioritise the majority of these costs within the existing Ministry baselines.

Yes | No

- ii. Staged and tagged contingency funding of up to 9(2)(f)(iv) per annum for the establishment of new institutions, with options to scale but not to reprioritise within Ministry resources due to scale.

Yes | No

- c. **Advise** your interest in including tagged contingency funding to accelerate and incentivise local government implementation.

Yes | No

- d. **Note** the Ministry is working to maximise reprioritisation of resources to absorb FTE costs for RM Phase 3 and implementation but cannot absorb costs for new institutions given the potential scale of such costs.

*Minister Simmonds: Decisions on capping the Waste Minimisation Fund to support other uses of the levy and potential Crown savings*

- e. **Note** the funding available through the Waste Minimisation Fund has implications for the ability to fund commitments expected to be signalled in the second Emissions Reduction Plan.

- f. **Agree** to the preferred additional option for a \$50m Waste Minimisation Fund cap, along with the approach to the requested \$15m, \$30m, and \$60m options.

Yes | No

- g. **Note** further advice on the use of levy funds for other waste-related activities and investments will be provided in early 2025.

*Minister Simmonds: Decisions on broader use of waste levy*

- h. **Agree** the waste levy should be used to support broader environmental activities that align with government priorities.

Yes | No

*Minister Simmonds: Decisions on grants and funds savings options for environment*

- i. **Note** the savings sought can be met across the environment fund portfolio, with options to free up additional savings for possible reprioritisation towards the RM bid or other government priorities.
- j. **Provide direction** on the specific saving options to progress across environment funds, as set out in the table at paragraph 55.
- k. **Agree** to use Budget 25 to reset the fund landscape to simplify and consolidate arrangements, increase investment flexibility to pursue better value, and better align to government priorities.

Yes | No

*Minister Watts: Decisions on grants and funds savings options for climate*

- l. **Endorse** the low option for savings for Climate Resilience for Māori (\$5m in 2025/26), subject to further advice.

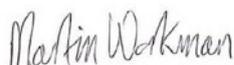
Yes | No

- m. *(with Minister Simmonds)* **Direct** the Ministry to work with the Treasury to put forward a consolidated submission on savings for the climate and environment funds.

Yes | No

## Signatures

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Martin Workman  
Chief of Staff

**Ministry for the Environment**

6 December 2024

Hon Chris BISHOP  
**Minister Responsible for RMA Reform**  
Date

Hon Penny SIMMONDS  
**Minister for the Environment**  
Date

Hon Simon WATTS  
**Minister of Climate Change**  
Date

# Budget 25 initial advice

## Purpose

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1. This paper provides initial advice on the approach to the spending and savings submissions invited from the Ministry for the Environment (the Ministry) as part of Budget 25. It seeks your direction and decisions in order to provide final advice on 12 December 2024, ahead of submitting a Budget package to the Treasury by 23 December 2024.

## Background

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2. On 18 November 2024, the Minister of Finance (MoF) wrote to you about Budget 25 (Appendix 1) requesting the following by 23 December 2024:
  - i. **RM implementation:** Invitation to put forward a new initiative bid for implementation of Resource Management reforms, with options to offset the costs by 25%, 50%, and 75% through scaling and/or reprioritisation.
  - ii. **Waste Levy:** Present options for capping the Waste Minimisation Fund (WMF) at \$15m, \$30m, and \$60m.
  - iii. **Funds and Grants:** Identify savings options including through potential improvements in the coherence and overall value of the fund landscape; savings scenarios requested are \$1.25m and \$2.5m for climate funds, and \$2.67m and \$5.3m for environment funds (annual average savings).
3. On 4 December 2024, Minister Watts received a letter from Minister Seymour signalling the climate portfolio was in scope for the Baseline Savings Programme (Appendix 2). These savings are expected to be additional to the savings requested in the main Budget 25 letter and are due on 13 February 2025. We will provide advice on this once we have received further guidance from the Treasury.

### Impact of Mini-Budget 23 and Budget 24

4. The Ministry provided significant net baseline and targeted savings of \$617.4m through the Mini Budget 23 and Budget 24 and is set to 9(2)(f)(iv) in workforce size from 1,230 funded FTE in 2023/24 to 9(2)(f)(iv) FTE from 1 July 2027.
5. As part of Budget 24, the Waste Minimisation Act 2008 (WMA) was amended to allow the central government portion of levy funds to be used to support a wider range of environmental outcomes. Levy rates were also increased which will generate additional levy revenue and a greater disincentive for waste disposal. At the time, and to inform Budget 25 decisions, officials were directed to:
  - i. identify a suitable annual quantum for waste-related investment (MfE to lead)
  - ii. identify a wider range of environmental activities across Government that will generate additional savings opportunities. (Treasury to lead, Ministry input).

6. Through the 2023 Mini Budget the Ministry returned \$301.596m that had been allocated for RM Reform by the previous government. Budget 2024 allocated \$90.235m for the current government's RM reform programme. This covered some aspects of the Government's proposed reform programme including Phase 1 (repeal of the Natural and Built Environment Act and Spatial Planning Act, and Fast Track Approvals legislation), Phase 2 (Bill 2 and amendments to part of the suite of National Direction), as well as initial work associated with scoping of Phase 3 (broader reform of the RM system). It did not include funding for implementation.
7. The Ministry's Vote Environment Performance Plan outlined our work plan to deliver within the remaining baseline (following Budget 24) and signaled key resource constraints relating to implementation of resource management legislation and national direction reforms, improvements to ecotoxicological risk assessment models, and replacement of the Emission Trading Scheme Register.

## Analysis and advice

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8. Elements of the Budget 25 request are inter-connected and we are approaching them in an integrated way to ensure trade-offs across Ministerial portfolios are considered and you are able to maximise value for money across Vote Environment.

## Delivering the Government's Resource Management reforms

9. In our meeting with Minister Bishop on 4 December 2024, you asked us to provide further advice on a Resource Management Reform Budget bid that encompasses:
  - i. how the Ministry would fund as much as possible through internal savings and re-prioritisation
  - ii. the full policy work for Phase 3 based on recent scoping, including establishing new entities and identification of potential ongoing costs, noting that such entities are subject to future Cabinet decisions on their form, scope and function, and options for cost recovery are still being explored
  - iii. considering how costs might be staged and sequenced for Budget 25 and into Budget 26.
10. Our advice is preliminary, with more specific calculations to be provided in our next briefing. We have undertaken initial modelling of estimated costs and will refine these in discussions with the Ministry of Justice (MoJ). Initial estimates include:
  - i. \$9(2)(f)(iv) over four years for both FTE and non-FTE costs, with a significant portion of these costs expected to be able to be absorbed within our current baseline (further advice to be provided next week), subject to reprioritisation and sequencing of policy work (i.e., national direction and Phase 3 work)
  - ii. Up to \$9(2)(f)(iv) for establishment of possible new entities (i.e., a national compliance and enforcement regulator and a planning tribunal), in their first year
  - iii. Possible local government implementation funding, subject to your direction

- iv. Noting that, where possible, cost recovery options will be explored and will result in reduced costs to the Crown.

### **FTE Costs**

11. The Ministry currently has 131 FTE directly allocated to policy work associated with the RM system (covering all aspects of the urban/built and resource management policy work) as well as other staff in support (i.e., project management, legal support, data and science advice). RM policy FTE are projected to step down to 123 FTE by mid-2026 and will likely continue to track downwards in line with the Ministry's overall baseline decline.
12. While some staff help deliver the current system (i.e., supporting the statutory obligations of the Environment Minister, RM Reform Minister, and Infrastructure Minister), the majority are allocated to reform of the system, including Fast Track Approvals, Bill 2 and national direction improvements, and scoping for Phase 3.
13. Our Budget 24 submission allowed for a significant portion of the government's reform programme but was subsequently scaled from \$120m to \$92m and consequently did not cover the entirety of Phase 3, which had not been fully scoped at that time. Now that it is more clearly scoped, we expect that Phase 3 will require approximately 61 FTE for policy and legislative development and implementation, with peak delivery in 2025 and 2026.
14. We anticipate we could accommodate the majority of these FTE costs (approx. 40 FTE) within our current FTE and funding baseline by: using a projected 2024/25 underspend; careful sequencing of Phase 2 and 3 policy work; leveraging additional savings from funds work; and retaining some fixed-term resources longer than originally planned (into 2026). However, this would depend on choices made by Ministers on sequencing over the policy work programme, and specifically national direction amendments and Phase 3 work.
15. This would deliver work associated with policy development, legislation, creating standardised zones; building a modern RM consenting, e-planning, monitoring and performance system; upholding Treaty settlements and associated arrangements; and support for the establishment of new entities.
16. We are currently modelling how much of the proposed Phase 3 resourcing could be accommodated within our existing baseline and will provide further advice on this in our planned briefing next week. It is possible that we may need to seek new funding to deliver FTE costs (approximately 20 FTE) for some emerging aspects of implementing a new RM system, including:
  - i. work for establishing new institutions (i.e., a planning tribunal and a national regulator)
  - ii. additional legal assistance to help meet the accelerated timing of the legislation
  - iii. preparing and implementing standardised zoning (not included in initial Phase 3 scope)
  - iv. improving the current RM consenting and monitoring system to be more fit-for-purpose until such time as a modern new system is developed (discussed further below and not included in original Phase 3 scope).

17. Changes to the scope and nature of the national direction package that ensure more alignment with Phase 3 would help us manage workload within the existing FTE (even as staffing continues to reduce), rather than needing to increase FTE for a short period (2025 and part of 2026). The above calculations are based on the current National Direction continuing on timeframes agreed by Cabinet (delivery by October 2025).

### **Non-FTE costs**

18. Our non-FTE cost estimates total \$26m over four years, not including costs associated with establishing new entities (refer below). This estimate includes a range of matters, including 9(2)(h) [REDACTED], work to uphold Treaty settlements, and a possible external expert advice panel to guide standardised zoning work. Generally, the total non-FTE costs will depend on the scope of the reforms.
19. Almost all Treaty settlements to date include redress that provides rights or creates duties with respect to processes under the Resource Management Act. Meeting the Cabinet-agreed principle of upholding Treaty settlement arrangements and reforming the resource management system is likely to require specific discussions with Post-Settlement Governance Entities (PSGEs) as to how the Crown's settlement commitments will be upheld.
20. We propose to allocate up to \$16m over three years to support this process, based on reprioritised funding within our existing baseline. The amount is less than the amount required to work through settlement discussions with PSGEs during the previous government's reform. During this process, the funding went towards resourcing PSGEs or sourcing specialist advice on the implications of reform for Treaty settlement arrangements and to support deed drafting.
21. The degree to which the reforms change the way settlement redress will operate will dictate the extent of non-FTE funding required. There is a risk the funding allocated will be insufficient to complete the work required to uphold Treaty settlements within the proposed timeframe, which may lead to delays in transitioning to the new system as well as an increased risk of litigation. However, we will keep you informed throughout the process to manage and mitigate such risks to the greatest extent possible.

### **Possible new entities**

22. Any new Resource Management System is likely to need new institutions. Current thinking from the Expert Advisory Group, referenced in the recent Cabinet paper, includes a Planning Tribunal. This paper also notes a need for an increased focus on monitoring and compliance in a new system with more permitted activities. A Compliance and Enforcement regulator could be a key part of this focus, as could a spatial planning role or responsibility.
23. If the Government chooses to set up new institutions, establishment funding will be needed along with some level of ongoing funding. 9(2)(f)(iv) [REDACTED]  
[REDACTED]  
[REDACTED]
24. We are currently investigating costs associated with both types of institutions and will provide more detail in a subsequent briefing informed by discussions with MoJ. Our initial estimates (not factoring in cost recovery) are very broad, as policy decisions have not yet been taken. For example, a national compliance and enforcement regulator might range in cost from:

- i. 9(2)(f)(iv) for a national oversight regulator similar to the NSW model in Australia
  - ii. 9(2)(f)(iv) per annum for a regionally-based regulator tasked with taking action in response to non-compliance identified by local government
  - iii. 9(2)(f)(iv) per annum, if it was to absorb the 800 FTE (approximate) currently performing this role in local government, even if economies of scale could be realised. These roles are currently funded through rates and user charges.
25. A planning tribunal could range in cost, depending on whether or not lawyers were involved in the process, and its range of responsibilities, including a potential spatial planning role.
26. While these entities could potentially be funded through cost recovery, they will require some start-up funding or an establishment loan. We propose:
- i. A tagged contingency bid for a Planning Tribunal, comprising:
    - 9(2)(f)(iv) in non-FTE establishment costs for Budget 25
    - an envelope of 9(2)(f)(iv) per annum from Budget 26 onwards, dependent on policy and Cabinet decisions across 2025 and 2026 (subject to further advice from MoJ).
  - ii. A tagged contingency bid for a national Compliance and Enforcement regulator, comprising:
    - 9(2)(f)(iv) in non-FTE establishment costs for Budget 25
    - an envelope of 9(2)(f)(iv) per annum from Budget 26 onwards, dependent on policy and cabinet decisions across 2025 and into 2026
27. We would need to caveat such a contingency amount in the Budget bid, and keep Cabinet updated on cost implications as decisions are taken on the scope of the RM Reform, with a possible revision of tagged contingency amounts in 2026.

***Standardised RM consenting and e-planning monitoring and performance system***

28. To facilitate a more effective and efficient RM system, substantial overhaul of the current data system (the National Monitoring System – NMS) will be needed. The current approach is out-dated and not fit-for purpose.
29. Overseas jurisdictions such as Australia have significantly more modern and mature systems that standardise and automate large portions of the consenting process and generate reporting and statistics on key targets. These systems also have e-planning at state or national levels that improves consistency, and usability for applicants and councils alike. Modern systems also help with monitoring and oversight, including delivery of targets and outcomes such as housing, density, jobs growth, and infrastructure delivery.
30. New Zealand’s system in comparison is largely manual, slow, and time-consuming, and doesn’t provide the information Ministers and other decision-makers need to make robust and timely decisions. There are at least 76 different entities across the country

which procure and implement their own computer systems for e-planning and resource consenting. This leads to inefficiencies for users of the RM system who have to engage in different ways around the country.

31. Although we have the NMS for RMA processes, often this can't give us insights into how the system is working, why things are happening or where Government could intervene to make improvements, change policy settings, and remove obstacles to deliver intended outcomes and targets.
32. To improve the system, we are considering how to take a sequenced approach, potentially including:
  - i. 9(2)(f)(iv) in non-FTE costs to make minor improvements to the current system to make it fit-for-purpose and transferrable into a future new system, including geo-tagging
  - ii. up to 9(2)(f)(iv) in non-FTE costs to develop a strategic business case for a more significant investment into a new, modern system, consistent with overseas jurisdictions
  - iii. capital expenditure and associated operational expenditure for a complete overhaul of the RM consenting and e-planning system, supported by a strategic business case, potentially managed through the Investment Management System run by the Treasury.
33. While the cost of a standardised RM consenting and e-planning monitoring and performance system could potentially be funded through cost recovery, this would need to be investigated as part of a strategic business case. Further, there may be an opportunity to gain efficiencies from working with other digital programmes underway such as work on the new building consents system, which we can investigate.

### **Third party implementation funding**

34. This bid does not include any funding to incentivise third parties to accelerate implementation of the new system, such as local government. However, there may be value in creating such incentives.
35. We seek your direction on whether to prepare any advice for you on such funding in the subsequent briefing next week, or whether you might prefer to consider this as policy decisions occur, 9(2)(f)(iv) .

### **Waste levy: options for capping the WMF to support other uses of the levy and potential Crown savings**

36. Through Budget 25 there are two decision streams that come together to identify a suitable annual amount for waste-related investment:
  - i. enabling savings through options to cap the WMF at three annual levels: \$15m, \$30m, \$60m (advice due to the Treasury by 23 December 2024)
  - ii. use of levy funds across other waste-related activities (advice to be provided through the Budget 2025 process in early 2025)

37. Decisions on these matters will impact the amount of funding available for broader activities, including potential Crown savings from shifting activities into the levy. Different timeframes for decisions mean that, when submitting options on the WMF, we will only be able to signal an indicative savings range subject to future decisions on other waste-related activities.
38. In addition to savings enabled at each level, key considerations across cap options include: overall value for money of WMF investment, including administration costs; impact on commitments in the second Emissions Reduction Plan (ERP2) and overall sufficiency of the plan; the degree of balance in the investment portfolio across Government waste priorities; the waste sector's ability to co-invest; and social licence of the levy (a strong enough link between the source of the levy (waste disposal facility operators) and its uses).
39. Appendix 3 provides detailed advice on each of the WMF cap options, alongside initial advice on the use of levy funds across other waste-related activities and investments to help contextualise decisions on savings from the WMF. Further advice and decisions on other waste-related activities and investments areas will be provided in early 2025.
40. Based on assessment of the criteria above, our advice is that each of the caps outlined in the Budget 25 letter would be sub-optimal. We propose an additional option of \$50m. This strikes the balance of enough funding for ERP2 commitments alongside some additional waste infrastructure investment, while still delivering value for money through co-investment in high-quality projects.
41. Noting the request to work alongside the Minister of Climate Change on the interactions with ERP2 as part of this process, we are seeking the Minister for the Environment's endorsement of the approach to providing options to cap the Waste Minimisation Fund at \$15m, \$30m, and \$60m per annum, alongside a preferred additional option of \$50m.

### **Broader use of levy funds**

42. Through the broader Budget 25 process, choices are required on how much of the levy to spend in any year and on what mix of activity (within the legislated parameters). Decisions on the overall levy-funded waste-related components (including the quantum set aside for the WMF), outlined above and in Appendix 4, will then inform how much additional revenue is available for broader purposes.
43. There are two main ways remaining levy revenue can be used:
  - i. identifying existing environmental activities that could be funded through the waste levy; this was an expectation set from Budget 24, including to generate additional savings for the Crown
  - ii. new investment: holding back some levy funds for investment on new environmental initiatives in future years.
44. We expect that Ministers will make decisions on the balance between these two options as part of the Budget 25 process.

### ***Enabling further savings through Budget 2025***

45. As discussed in the funds and grants section, we are identifying options within the environment portfolio for existing funds to be funded by the levy instead of the Crown.

More broadly, the Treasury is leading the process of identifying other environmental initiatives across government that may be suitable for levy funding<sup>1</sup>.

46. In considering these options, it should be noted that such shifts are not, in economic terms, true savings as the costs are shifted to someone else (levy payers). This means more levy funds are needed than otherwise necessary, with funds also not available for other uses. In practice, this means ensuring a strong focus on value and facing up to stopping or reducing funds – and not just using the levy to secure Crown savings.

### ***Looking further ahead – allocation of revenue beyond Budget 2025***

47. The exact amount to hold back for future new initiatives is an important judgment. There are two key considerations. First, future decisions on savings need to consider the appropriate approach to managing funding priorities over time in case actual levy revenue is lower than current forecasts.
48. Based on recent forecasts, levy revenue is expected to increase in coming years (peaking around FY2027/28), however this is subject to change over time. This is covered further in the Risks section of this briefing. Second, there is an option to keep some revenue in reserve – for example \$30m across the later years of the forecast period – so that the funding is available to contribute to emerging environmental priority areas.
49. There are also choices on how investment could be utilised in future years, either directly as specific initiatives or by increasing the scale of a broad investment fund (see the funds and grants section below). A combination would also be possible. An example of a specific initiative that can be funded is the Environmental Protection Authority's ecotoxicological assessment models which were signalled as a constraint in the Vote Environment Performance Plan.<sup>2</sup>
50. An example of how a broader investment fund could be used is extending public-private co-investment (as occurs for waste) into other investments to improve environmental outcomes. This could also support implementation of the Government's simplification and de-regulation of environmental management. For example, funding could be used to incentivise catchment level action to complement freshwater policy reforms. A broader approach would also ultimately benefit further from a cross-ministerial and cross-agency approach that better integrated and aligned investment activity.

## **Review of savings potential within funds and grants**

51. The Budget 2025 letter requested a review of funds and grants (funds) to generate savings and improve value, including through fund consolidation. Subject to completing a review, we have identified opportunities to exceed the overall savings ask. These

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<sup>1</sup> Given significant previous reductions in Budget 24, there is likely a limited number of initiatives that levy funds could be used for, essentially supplanting existing Crown funding. The Treasury has advised it is gathering information to better understand opportunities for contaminated site remediation, with a particular focus on Crown-owned land.

<sup>2</sup> While the WMA amendments allow for the Secretary for the Environment to approve funding for activities that reduce environmental harm or increase environmental benefits (section 30(1)(iv) of WMA), we note that other Ministers may have expectations that funding for this purpose is agreed by Cabinet as part of overall budget decision making, with implementation by the Secretary for the Environment.

include the potential for savings to support implementation of resource management reform (or be applied or used more broadly). We recommend you take a long-term view of how the whole fund landscape might evolve when making choices about savings.

### Possible reset of the fund landscape

52. There is an opportunity to simplify the fund landscape, improve its coherence and increase value for money. This could be achieved by transitioning away from several small and tightly specified funds to a small number of bigger funds with broader scope. For example, a broad fund could relate to enhancing local and regional environments, covering improvements, mitigations and remediations of all kinds. Another could focus on promoting and growing capability for environmental management. Or delivery projects and capability investments could both sit within one fund.
53. Resetting in this way would improve investment flexibility; facilitate better choices across investment options; better reflect the interdependent nature of environmental effects and their management; strengthen scope for leveraging investments; and reduce administration costs. All of these would drive better value-for-money. This would also improve ability to support government priorities, including initiatives that help local and regional implementation of resource management reform.
54. Depending on your views, we could start a reset through Budget 25. Some savings could be redirected to get one or more broader funds going, with further scaling in out-years. As noted above, wider gains would also be possible from stronger cross-agency collaboration.

### Savings options across individual funds

#### *Environment portfolio*

55. The Budget 2025 letter seeks annual savings of between \$2.67m (low) and \$5.4m (high) across environment funds. A summary of savings options is set out below, with summary rationale attached in Appendix 4.

Category	Funds	Annual average savings (25/26-28/29)	Total savings (25/26-28/29)
<b>Funding not required for allocated purposes</b>	Climate Emergency Response Funding	\$3.725m	\$14.90m (All in 25/26)
	Regional planning implementation	\$0.57m	\$2.28m (All in 27/28)
	Indigenous biodiversity fund	\$0.74m	\$2.95m (All in 27/28)
<b>Use of the Waste Disposal Levy instead of Crown expenditure</b>	Kaipara Moana Remediation Fund	\$3.53m	\$14.1m (All in 28/29)
	Promotion of Sustainable Land Management	\$0.8m	\$3.2m
<b>Sub-total – limited impact on work programme</b>		<b>\$9.365m</b>	<b>\$37.43m</b>

Category	Funds	Annual average savings (25/26-28/29)	Total savings (25/26-28/29)
<b>Stopping or downscaling funds to make savings</b>	9(2)(g)(i)		
	Water science and economics	\$1.5m	\$6.0m
<b>Sub-total – notable impact on work programme</b>		9(2)(g)(i)	
<b>No Change</b>	UNEP programme contribution	\$0m	\$0m
	International Subscriptions		
	Waikato River Co-Governance Contribution		
<b>Total</b>		9(2)(g)(i)	
<b>Savings options requested in letter</b>		<b>High: \$5.34m</b>	<b>\$21.36m</b>
		<b>Low: \$2.67m</b>	<b>\$10.68m</b>

56. Across the options outlined above, there would be total annual savings available of up to \$11.815m (average each year over the forecast period). This *excludes* potential climate-related savings, discussed below. We seek direction on your preferred savings options as well as your views on resetting the fund landscape given the broader opportunity for future gains.

### **Climate portfolio**

57. The Budget 25 letter seeks annual savings of between \$1.25m and \$2.5m across funds in the climate portfolio. There are two relevant appropriations:

- i. Climate Resilience for Māori, which currently has \$10m appropriated for 2025/26 (\$9m for 2024/25)
- ii. UN Framework Convention on Climate Change Funding Contribution (UNFCCC), which is an ongoing amount of \$0.17m per annum.

58. In practice, savings are only possible in relation to Climate Resilience for Māori, as the contribution for UNFCCC is both important and difficult to amend.

59. We considered whether Climate Resilience for Māori could be funded by the waste levy, and whilst it could potentially meet the criteria of reducing / increasing environmental harms / benefits, the fund sits within a wider context of Māori-Crown relations such that direct Crown funding is more appropriate.

- 60. We caution against removing the fund completely (the high savings scenario suggested in the Budget 25 letter). There are connections to the legal framework and Māori Climate Platform, along with an important relationship dimension with tangata Māori, particularly the Iwi Chairs Forum. In that context, stopping the fund ahead of plans would require a process of engagement.
- 61. Subject to further discussion with Minister Watts, we recommend the low savings option (halving the 2025/26 amount to \$5m). This reflects the delayed commencement of pilot initiatives; the importance of their evaluation to inform future activity; some uncertainty about the fund’s investment aims; and the wider savings imperative. This option, if adopted, could take the total savings across all Vote Environment funds, for the four-year period, to \$52.23m (an average of \$12.94m each year).
- 62. 9(2)(f)(iv) [Redacted]
- 63. Together with Minister Simmonds, we recommend you direct the Ministry to work with the Treasury to put forward a consolidated submission on savings for the Climate and Environment funds. These portfolios and their funding have high interdependencies and ideally in our view should be considered together.

**Te Tiriti analysis**

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- 64. Te Tiriti analysis of decisions across the Budget 25 package is ongoing, and we will cover this in the final advice you receive.

**Other considerations**

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**Consultation and engagement**

- 65. Due to Budget sensitivity and tight timeframes, engagement to date has been minimal. We have engaged with the Treasury to confirm the details of the WMF cap options (as indicated in the Budget 2025 letter) and how other levy-funded waste-related components would be considered by Ministers. The Treasury’s feedback has been reflected in this advice.
- 66. To inform the approach to understanding likely costs for elements of the new resource management system we have engaged with MoJ and their feedback has been reflected in advice.

**Risks and mitigations**

- 67. Resource management risks are being assessed and will be covered in subsequent briefings. Allocating levy funds requires ongoing management of the risk where levy revenue is subject to change over time. Since Budget 24 decisions were made, officials

have updated forecasts for expected levy revenue (August 2024), leading to an approximately 10 per cent lower forecast revenue. Levy revenue is still expected to increase over the next three years, as levy rate increases are applied.

68. Eventually levy revenue is expected to decline, as the sector responds to levy rate increases and efforts to reduce waste gain traction. Current projections suggest that this decline might start from FY2028/29 although there is considerable uncertainty.<sup>3</sup>

## Legal issues

69. Legal advice will be provided as part of further Budget 25 advice and waste levy decisions planned for early 2025.

## Next steps

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70. We are seeking your feedback and decisions by 10am on 9 December 2024 so we can refine the package further ahead of officials' meetings that week. Decisions rest with the respective Responsible Ministers but will require bilateral or trilateral discussions when these interact across portfolios. We will then provide:
- i. final advice to confirm final options (12 December 2024)
  - ii. draft letter to MoF summarising all Budget 25 initiatives (18 December 2024).
71. Minister Simmonds will then finalise and send the letter to MoF on behalf of all Vote Environment Portfolio Ministers. Initiative templates and the submission letter will be submitted to the Treasury via CFISnet by 23 December 2024.
72. The Treasury is providing guidance shortly on Minister Seymour's baseline savings exercise and we will provide further advice on this as soon as possible. Minister Watts has been asked to write to Minister Seymour by 13 February 2024 outlining savings proposals in the Climate portfolio
73. The approach to providing advice and seeking final decisions on the broader levy-funded waste-related activities is expected to be progressed in 2025 (pending further discussions with the Treasury) either prior to or alongside Budget 25 financial recommendations being agreed in April 2025.

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<sup>3</sup> Forecasting levy revenue is complex and uncertain due to multiple factors such as market dynamics, policy impact, impact of government investment on diversion, and data quality. These figures are estimates only and will likely shift over time. Allocating levy funds requires an ongoing managing of the risk where levy revenue is subject to change over time.

# **Appendix 3 – Detailed advice on waste levy savings options**

[Appendix 3 – Detailed advice on waste levy savings options.docx](#)

## **Appendix 3 – Detailed advice on waste levy savings options**

1. Amendments to the Waste Minimisation Act 2008 (WMA) as part of Budget 24 enabled savings totalling over \$200m over the forecast period. This included using levy funds to support previously Crown-funded activities, including: the Ministry’s waste and hazardous substances work programme; the Contaminated Sites Remediation Fund; the Freshwater Improvement Fund; and the Kaipara Moana Remediation Fund.
2. The Budget 2025 letter requests savings from the Waste Minimisation fund (WMF) based on capping it at an annual level of either \$15m, \$30m or \$60m. The caps are regarded as annual funding available to commit to new initiatives<sup>1</sup>.
3. Analysis below indicates there are more risks than benefits in each of the requested cap levels. We have added a further \$50 million option which reflects Minister Simmonds’ priorities for the WMF [BRF-5467 refers] and strikes a better risk/benefit balance.
4. In all options the WMF would first use levy funds accumulated up to 30 June 2024 until they are exhausted. Funds accumulated before the WMA was amended must be spent on waste minimisation only. About \$100m is currently not committed to active funding deeds or in contracting. When this is exhausted, the WMF will transition to using levy revenue received after 30 June 2024 (referred to as new revenue), taking a broader more flexible approach across waste, climate and other environmental funds.

### Option A: \$15 million

5. This option offers the greatest potential for long-term savings as it would all be funded from the existing \$100 million underspend. This carries the lowest risk in terms of the sector’s co-funding capacity and would be the lowest-cost option to administer – see Administration Costs section. However, it is only half the annual amount (\$30 million) required to meet the ERP2 target contribution from waste, meaning this target would not be met – likely falling short by some 268,000tCO<sub>2</sub> (26 percent). The sufficiency of ERP2 is finely balanced, meaning that any change could create a sufficiency risk.
6. It would also leave no funding for other government priorities including infrastructure to recover value from (and divert from landfill) non-organic Construction and Demolition (C&D) waste (eg plasterboard) and plastic waste. There is also a potential that public support for the levy could be undermined if the proportion invested in waste minimisation is too low to retain a strong enough link between the source of the levy (waste disposal facility operators) and the purposes it is used for.

### Option B: \$30 million

7. At this level no allocation of new revenue would be required until approximately FY28/29, and there would be sufficient funding to meet the \$30m annual ERP2 target contribution

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<sup>1</sup> actual expenditure incurred each year will vary, depending on project milestones, however in the long run the average annual expenditure will not exceed the agreed caps.

from waste over the ERP2 period. However if all funding is consumed for ERP2 there would be none for infrastructure to recover value from other priority waste materials non-organic C&D and plastics and divert these from landfill. (Noting that C&D waste includes timber which is organic). Alternatively, funding could be spread over organics, non-organic C&D and plastics, however the ERP2 target contribution would be at risk and impact on C&D and plastics would be minimal.

#### Option C: \$60 million

8. This option delivers the lowest savings of all options and incurs the highest administrative cost. The key risk at this level of funding is whether it can be fully utilised in high-quality projects. Under the WMF's co-funding policy<sup>2</sup>, \$60 million WMF funding would require the sector to contribute \$120-\$150 million. Given current and potential future economic conditions there is doubt both about the sector's capacity to co-invest at this level and whether there are sufficient high-quality project opportunities. We consider the risks of this funding level rule it out as a viable option.

#### Option D: \$50 million (proposed additional option)

9. Accumulated funds would be sufficient until approximately FY27/28, enabling savings over that period. This option aligns to the current WMF investment priorities<sup>3</sup> and would be sufficient to meet the ERP2 target contribution. It also provides an opportunity to make a material impact on a wide range of non-organic C&D and plastic wastes, with a focus on improved sorting, separation, resource recovery and processing. This option carries higher administrative costs than options A and B, but lower than C. This option could also be scaled back during the budget process (say to \$40-\$45m pa) if non-organic priorities were reduced, for example to building wrap and farm plastics.
10. As with other options there is a degree of risk around the sector's capacity to co-invest. Experience over the past two years provides a level of confidence with approximately \$80 million awarded and a pipeline of \$50 million under assessment. This scale has been achieved despite a relatively passive application-based model and the WMF being focussed only on organics (with some investment also in plastics through the Plastics Innovation Fund, now absorbed into the WMF).
11. A new investment strategy for the WMF will further mitigate the risk of under-delivery. Key elements include accelerating the pipeline through adding more proactive mechanisms such as targeted procurement to address specific needs. This approach was recommended by Sapere in their independent review of the effectiveness of levy investment<sup>4</sup>. We are also working more strategically with key agencies for example exploring joint funding opportunities and tapping into their regional presence. The WMF reopened with broader

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<sup>2</sup> WMF contributes up to 40% or 50% of project costs depending on the applicant's resources and the level of commercial benefit relative to public good.

<sup>3</sup> C&D waste – timber, plasterboard, and C&D-related plastics such as building wrap; Organic – food and green waste, paper and cardboard; Plastics – plastics 1, 2 and 5, coloured PET, farm plastics such as bale wrap, and soft plastics

<sup>4</sup> *Waste Levy Review – an assessment of outcomes and recent performance of waste levy investments (section 7)*, Sapere, October 2024

investment priorities in October 2024 which we expect will attract greater interest from the sector.

12. Aside from seeking decisions on the WMF envelope there are also decisions pending on other levy-funded components of the waste work programme. This includes:
  - i Waste and HSNO policy work programmes and waste levy administration<sup>5</sup> – decisions were made as part of Budget 24, however likely to need revising based on eventual decisions on WMF and Contaminated sites and vulnerable landfills fund (CSVL). Each of the WMF cap options requires different levels of resourcing to administer, even taking into account economies of scale associated with the higher funding options. We will model the resourcing requirements of your preferred option(s) to understand the impact on administration costs.
  - ii CSVL fund – We envisage an allocation of \$10 million for 2024/25 then \$20 million per year ongoing. That recommendation is based on focussing on the highest priority contaminated sites and vulnerable landfills, nominally the largest and most contaminated and complex sites. There are hundreds of vulnerable landfills, and our experience shows that investigation and remediation costs vary significantly depending on size and complexity. For example, in 2019, the Fox landfill remediation, a small landfill, cost \$3 million whereas some others would have remedial costs in excess of \$10 million.
  - iii Funding to support local authorities' emergency waste management. There is a decision required about whether to allocate a certain level of funding to be held back as a contingency, additional to funding allocated in the WMF, to enable rapid deployment in response to an emergency. Not having funding set aside would mean that either new budget bids would be required in the case of the Crown contributing funding for disaster clean up, or the WMF could be used (whether there is available funding in the WMF at the point of any given emergency is not certain and somewhat depends on the WMF's annual allocation).
13. Decisions on these components are outside of the scope of the Budget 25 template process, which is due 18 December. However, funding allocated to these activities will ultimately impact the amount of levy funds able to be offered for savings or new environmental investments.
14. Based on recent discussions with the Treasury, we recommend providing Minister Simmonds further advice on these components in early 2025 (either as a joint MfE/Treasury briefing or an MfE briefing with a separate Treasury commentary) that could enable joint Minister decisions and/or discussions with the Minister of Finance (leading to Cabinet decisions as part of the broader B25 package).
15. An overall consideration in identifying a suitable envelope for waste-related investment is needed to ensure that there is a clear link between the collection of the levy and the

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<sup>5</sup> This includes administration for levy investment and levy compliance, monitoring and enforcement activities.

purposes it is used for. While the levy can be spent on a broad range of initiatives, its collection is from waste disposal facility operators, and a degree of connection between who pays it and what it is used for is desirable in order to maintain public support for the levy. There is no set threshold at which public support could be expected to be maintained, but in general we recommend that at least half of the central government portion of the levy be allocated to waste initiatives, on balance over time.

16. Based on the WMF options and outstanding decisions regarding the other waste-related components discussed above (which will ultimately impact the amount of funding available), our indicative assessment suggests a levy surplus (and therefore savings opportunities) over the forecast period within a range of \$210 - \$400m. This is provided for indicative purposes only and is based on several dependencies and assumptions.<sup>6</sup>

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<sup>6</sup> A wide range of dependencies and assumptions apply including but not limited to: surplus is calculated across FY24/25-FY28/29; actual levy revenue received is in line with forecasts; modelling for departmental categories is indicative and needs refinement; actual expenditure for non-departmental categories occurs in line with modelled forecasts.

## **Appendix 4 – Detailed advice on grants and funds savings options**

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[Appendix 4 - Detailed advice on grants and funds options.docx](#)



## Appendix 4 - Detailed advice on grants and funds savings options

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### Savings options across environment funds

1. Further to the table of savings options in the briefing, summary rationale for savings options is set out below. This assessment remains work-in-progress, including to consider implications and risks.

### Funding not required for allocated purposes

2. *Climate Emergency Response Funding (CERF)* – This was introduced in 2022 to help improve New Zealand’s ability to reduce emissions from waste. \$14.9m is appropriated for 2024/25, which is not needed given levy funding is available to support projects already underway. Other CERF amounts were previously moved into the waste levy.
3. *Regional planning implementation* – Across three funds (delivery partners (First Tranche Regions), NGOs and regional readiness) Budget 24 removed most funding, while leaving \$2.285m in 2027/28. This is legacy funding introduced by the previous government, now overtaken by resource management reform.
4. *Indigenous biodiversity fund* – Budget 24 removed most funding, while leaving \$2.95m in 2027/28. This is also legacy funding.
5. Across the options above, \$5.035m (average expenditure each year) could be saved.

### Use of the Waste Disposal Levy instead of Crown expenditure

6. These options relate to wider use of the levy with an associated saving in government expenditure; this would support the public service savings imperative.
1. *Kaipara Moana Remediation Fund* – Budget 24 transferred some amounts inside the levy, while leaving \$14.1m for 2028/29 which was outside the forecast period at the time. For coherence, this amount should also now transfer to the levy. This investment could also sit within a broader fund (if established), while retaining profile of the project as part of the fund’s portfolio.
7. *Promotion of Sustainable Land Management* – This funding supports the New Zealand Landcare Trust (\$0.8m each year) to promote sustainable land management, thereby directly supporting environmental improvements (the relevant requirement for levy use). This activity could sit within a broader fund, which would signal that other parties should also have opportunity to propose land (and wider environmental) management investments. Respectful of the Trust’s interests, a smooth transition away from current arrangements would be required, including coordinated change with MPI as the other key funder. There is also an opportunity to increase the funding available should levy funds be used.
8. Across the options above, \$4.33m (average expenditure each year) could be saved
2. We considered whether two other funds could use levy funding. While Climate Resilience for Māori could potentially meet the criteria of reducing/increasing

environmental harms/benefits, the fund sits within a wider context of Māori-Crown relations such that Crown funding is appropriate. In the case of the Environmental Training Programmes could potentially also use levy funding. While ultimately influencing environmental outcomes, its capability building focused may be seen as too removed from the delivery connotation of the levy criteria.

#### Stopping or downscaling funds to make savings or for reprioritisation

9. Across the fund portfolio, there are opportunities to stop or reduce expenditure to further contribute to savings or reprioritisation.
10. *Environmental Training Programmes* – This fund (\$1.9m each year) is for the Toimata Foundation to deliver Enviroschools and Te Aho Tū Roa. 9(2)(g)(i) [REDACTED]  
[REDACTED]  
[REDACTED] Good practice would also ensure periodic contestability of supply and openness to capability investments of other kinds and for other groups. Further, investments focussed on identity (such as age or ethnicity) must now have regard to the Cabinet’s Circular on needs-based service provision.
11. *Water science and economics* – This fund (\$1.5m each year) was introduced in 2020 as part of supporting the National Policy Statement for Freshwater Management. This fund could be stopped from 1 July 2025. It overlaps with the departmental funding allocated to research, and there is lack of clarity of the fund relative to the roles and research agendas of other organisations, particularly ESR and NIWA. The fund is also an example of in-built favouritism of specific activities or groups (in this case privileging water science research ahead of other research areas).
12. Across these options, \$2.45m could be saved in average expenditure each year.

#### No Change

13. *Contributions to international agreements* – There are three separate funds (UNFCCC (\$0.17m each year), UNEP programme contribution (\$0.61m) and International Subscriptions Multilateral Environmental Agreements (\$0.15m). Collectively these are small and influencing any change would be complex. One fund could cover all contributions, though this tidiness benefit is not considered significant enough to make change. The funds also cross portfolios.
14. *Waikato River Co-Governance Contribution* – This fund (\$0.98m each year) is for the operational costs of the Waikato River Authority. This is a Crown commitment.
15. Across these options, no savings would be made.



## Briefing: Budget 25 initial advice

Date submitted: 6 December 2024

Tracking number: BRF-5672

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Chris BISHOP <b>Minister Responsible for RMA Reform</b> Hon Simon WATTS <b>Minister of Climate Change</b> Hon Penny SIMMONDS <b>Minister for the Environment</b>	Review and provide direction to further develop the Budget 25 package (due to the Treasury by 23 December 2024)	10am, Monday 9 December 2024
CC Hon Andrew HOGGARD <b>Associate Minister for the Environment</b>	N/A	N/A

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment ( <a href="mailto:ministerials@mfe.govt.nz">ministerials@mfe.govt.nz</a> ).

Appendices and attachments
<ol style="list-style-type: none"><li>Budget 25 Letter</li><li>Minister Seymour Letter (Climate portfolio only)</li><li>Detailed advice on waste levy savings options</li><li>Detailed advice on grants and funds savings options</li></ol>

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Charlotte Wood	9(2)(a)	
Chief of Staff	Martin Workman	022 517 3268	✓

Minister's comments

# Budget 25 initial advice

## Key messages

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1. The Minister of Finance (MoF) has written to Ministers making clear Budget 2025 is focused on boosting economic growth and requires fiscal discipline from agencies, including savings, to fund Government priorities and achieve better economic outcomes. Ministers for Environment and Climate were asked to find savings within funds and grants, including waste minimisation. The Minister Responsible for RMA Reform was invited to put forward a bid for Resource Management (RM) implementation.
2. The Ministry is already managing a steep funding and staffing decline following the 2023 Mini Budget and Budget 24. We are on track to 9(2)(f)(iv) 1 July 2027 to 9(2)(f)(iv) FTEs, from 1,230 funded in 2023/24. In this context, our approach to Budget 25 is calibrated to balance further savings with the need to deliver the Government's RM reforms and other priorities along with our statutory obligations.
3. In Budget 24 the Ministry was funded for the scaled delivery of Phase 1, 2, and some parts of Phase 3 of the Coalition Government's RM reforms. Full funding for the delivery and implementation of Phase 3 was not included. Minister Bishop has requested the Ministry proceed with the invitation for a bid in Budget 25 to cover the rest of this work programme. This briefing provides initial advice on what such a bid might entail.
4. This paper also outlines choices for capping the Waste Minimisation Fund (WMF), including an additional recommended option for a \$50m cap which we consider strikes a better balance for overall use of the levy and ensuring high-quality investments.
5. Decisions could also be made through the Budget process to hold back some of the residual levy for later years, including for the implementation of environmental reforms or responding to other emerging priorities. For example, a broader investment fund could be used to incentivise public and private actors to contribute to improved environmental outcomes, enabling a deregulated approach in areas such as catchment management or biodiversity enhancement.
6. We have provided options for reducing and consolidating the overall portfolio of environmental funds, with potential savings of around \$11m each year. This includes making broader use of the waste disposal levy. We have also suggested a reset of the fund landscape which could introduce one or more broader funds, replacing small, siloed funds that offer less value-for-money.
7. Minister Seymour has also requested additional savings be found from the Climate portfolio as part of his Baseline Saving Programme with a response due on 13 February 2025. This will need to be incorporated into any final Budget 25 proposal. Given our funding track and the need to partly resource any RM bid through reprioritisation, any extra savings will reduce the Ministry's overall capacity to deliver government work programmes and our statutory obligations.

8. We seek your feedback and decisions on the recommendations below by 10am on 9 December 2024, so we can refine the package further ahead of officials' meetings with you and provide advice seeking final decisions in your weekend bag that week. While decisions rest with each respective responsible minister, they will require discussion between yourselves when these interact across portfolios.

## Recommendations

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We recommend you:

- a. **Note** that further baseline savings work in the Climate portfolio has been requested by Minister Seymour (Appendix 2 refers).

*Minister Bishop: Decisions on implementation of resource management reforms*

- b. **Agree** an RM Budget Bid will be submitted, comprising:

- i. Up to 9(2)(f)(iv) over four years for FTE and non-FTE costs, with options to scale and/or reprioritise the majority of these costs within the existing Ministry baselines.

Yes | No

- ii. Staged and tagged contingency funding of up to 9(2)(f)(iv) per annum for the establishment of new institutions, with options to scale but not to reprioritise within Ministry resources due to scale.

Yes | No

- c. **Advise** your interest in including tagged contingency funding to accelerate and incentivise local government implementation.

Yes | No

- d. **Note** the Ministry is working to maximise reprioritisation of resources to absorb FTE costs for RM Phase 3 and implementation but cannot absorb costs for new institutions given the potential scale of such costs.

*Minister Simmonds: Decisions on capping the Waste Minimisation Fund to support other uses of the levy and potential Crown savings*

- e. **Note** the funding available through the Waste Minimisation Fund has implications for the ability to fund commitments expected to be signalled in the second Emissions Reduction Plan.

- f. **Agree** to the preferred additional option for a \$50m Waste Minimisation Fund cap, along with the approach to the requested \$15m, \$30m, and \$60m options.

Yes | No

- g. **Note** further advice on the use of levy funds for other waste-related activities and investments will be provided in early 2025.

*Minister Simmonds: Decisions on broader use of waste levy*

- h. **Agree** the waste levy should be used to support broader environmental activities that align with government priorities.

Yes | No

*Minister Simmonds: Decisions on grants and funds savings options for environment*

- i. **Note** the savings sought can be met across the environment fund portfolio, with options to free up additional savings for possible reprioritisation towards the RM bid or other government priorities.
- j. **Provide direction** on the specific saving options to progress across environment funds, as set out in the table at paragraph 56.
- k. **Agree** to use Budget 25 to reset the fund landscape to simplify and consolidate arrangements, increase investment flexibility to pursue better value, and better align to government priorities.

Yes | No

*Minister Watts: Decisions on grants and funds savings options for climate*

- l. **Endorse** the low option for savings for Climate Resilience for Māori (\$5m in 2025/26), subject to further advice.

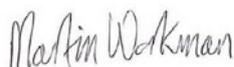
Yes | No

- m. *(with Minister Simmonds)* **Direct** the Ministry to work with the Treasury to put forward a consolidated submission on savings for the climate and environment funds.

Yes | No

## Signatures

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Martin Workman  
Chief of Staff

**Ministry for the Environment**

6 December 2024

Hon Chris BISHOP  
**Minister Responsible for RMA Reform**  
Date

Hon Penny SIMMONDS  
**Minister for the Environment**  
Date

Hon Simon WATTS  
**Minister of Climate Change**  
Date

# Budget 25 initial advice

## Purpose

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1. This paper provides initial advice on the approach to the spending and savings submissions invited from the Ministry for the Environment (the Ministry) as part of Budget 25. It seeks your direction and decisions in order to provide final advice on 12 December 2024, ahead of submitting a Budget package to the Treasury by 23 December 2024.

## Background

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2. On 18 November 2024, the Minister of Finance (MoF) wrote to you about Budget 25 (Appendix 1) requesting the following by 23 December 2024:
  - i. **RM implementation:** Invitation to put forward a new initiative bid for implementation of Resource Management reforms, with options to offset the costs by 25%, 50%, and 75% through scaling and/or reprioritisation.
  - ii. **Waste Levy:** Present options for capping the Waste Minimisation Fund (WMF) at \$15m, \$30m, and \$60m.
  - iii. **Funds and Grants:** Identify savings options including through potential improvements in the coherence and overall value of the fund landscape; savings scenarios requested are \$1.25m and \$2.5m for climate funds, and \$2.67m and \$5.3m for environment funds (annual average savings).
3. On 4 December 2024, Minister Watts received a letter from Minister Seymour signalling the climate portfolio was in scope for the Baseline Savings Programme (Appendix 2). These savings are expected to be additional to the savings requested in the main Budget 25 letter and are due on 13 February 2025. We will provide advice on this once we have received further guidance from the Treasury.

### Impact of Mini-Budget 23 and Budget 24

4. The Ministry provided significant net baseline and targeted savings of \$617.8m (inclusive of FTE reductions) through the Mini Budget 23 and Budget 24. As a result, the Ministry's workforce will 9(2)(f)(iv) , from 1,230 funded FTE in 2023/24 to 9(2)(f)(iv) FTE from 1 July 2027.
5. As part of Budget 24, the Waste Minimisation Act 2008 (WMA) was amended to allow the central government portion of levy funds to be used to support a wider range of environmental outcomes. Levy rates were also increased which will generate additional levy revenue and a greater disincentive for waste disposal. At the time, and to inform Budget 25 decisions, officials were directed to:
  - i. identify a suitable annual quantum for waste-related investment (MfE to lead)

- ii. identify a wider range of environmental activities across Government that will generate additional savings opportunities. (Treasury to lead, Ministry input).
6. Through the 2023 Mini Budget the Ministry returned \$301.596m that had been allocated for RM Reform by the previous government. Budget 2024 allocated \$90.235m for the current government's RM reform programme. This covered some aspects of the Government's proposed reform programme including Phase 1 (Fast Track Approvals legislation), Phase 2 (Bill 1 and 2, and amendments to part of the suite of National Direction), as well as initial work associated with scoping of Phase 3 (broader reform of the RM system). It did not include funding for implementation.
7. The Ministry's Vote Environment Performance Plan outlined our work plan to deliver within the remaining baseline (following Budget 24) and signaled key resource constraints relating to implementation of resource management legislation and national direction reforms, improvements to ecotoxicological risk assessment models, and replacement of the Emission Trading Scheme Register.

## Analysis and advice

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8. Elements of the Budget 25 request are inter-connected and we are approaching them in an integrated way to ensure trade-offs across Ministerial portfolios are considered and you are able to maximise value for money across Vote Environment.

## Delivering the Government's Resource Management reforms

9. In our meeting with Minister Bishop on 4 December 2024, you asked us to provide further advice on a Resource Management Reform Budget bid that encompasses:
  - i. how the Ministry would fund as much as possible through internal savings and re-prioritisation
  - ii. the full policy work for Phase 3 based on recent scoping, including establishing new entities and identification of potential ongoing costs, noting that such entities are subject to future Cabinet decisions on their form, scope and function, and options for cost recovery are still being explored
  - iii. considering how costs might be staged and sequenced for Budget 25 and into Budget 26.
10. Our advice is preliminary, with more specific calculations to be provided in our next briefing. We have undertaken initial modelling of estimated costs and will refine these in discussions with the Ministry of Justice (MoJ). Initial estimates include:
  - i. \$9(2)(f)(iv) over four years for both FTE and non-FTE costs, with a significant portion of these costs expected to be able to be absorbed within our current baseline (further advice to be provided next week), subject to reprioritisation and sequencing of policy work (i.e., national direction and Phase 3 work)
  - ii. Up to \$9(2)(f)(iv) for establishment of possible new entities (i.e., a national compliance and enforcement regulator and a planning tribunal), in their first year

- iii. Possible local government implementation funding, subject to your direction
- iv. Noting that, where possible, cost recovery options will be explored and will result in reduced costs to the Crown.

### **FTE Costs**

11. The Ministry currently has 131 FTE directly allocated to policy work associated with the RM system (covering all aspects of the urban/built and resource management policy work) as well as other staff in support (i.e., project management, legal support, data and science advice). RM policy FTE are projected to track downwards in line with the Ministry's overall baseline decline.
12. While some staff help deliver the current system (i.e., supporting the statutory obligations of the Environment Minister, RM Reform Minister, and Infrastructure Minister), the majority are allocated to reform of the system, including Fast Track Approvals, Bill 2 and national direction improvements, and scoping for Phase 3.
13. Our Budget 24 submission allowed for a significant portion of the government's reform programme but was subsequently scaled from \$120m to \$92m and consequently did not cover the entirety of Phase 3, which had not been fully scoped at that time. Now that it is more clearly scoped, we expect that Phase 3 will require approximately 61 FTE for policy and legislative development and implementation, with peak delivery in 2025 and 2026.
14. We anticipate we could accommodate the majority of these FTE costs (approx. 40 FTE) within our current FTE and funding baseline by: using a projected 2024/25 underspend; careful sequencing and prioritisation of Phase 2 and 3 policy work; leveraging additional savings from funds work; and retaining some fixed-term resources longer than originally planned (into 2026). However, this would depend on choices made by Ministers on sequencing over the policy work programme, and specifically national direction amendments and Phase 3 work.
15. This would deliver work associated with policy development, legislation, creating standardised zones; building a modern RM consenting, e-planning, monitoring and performance system; upholding Treaty settlements and associated arrangements; and support for the establishment of new entities.
16. We are currently modelling how much of the proposed Phase 3 resourcing could be accommodated within our existing baseline and will provide further advice on this in our planned briefing next week. It is possible that we may need to seek new funding to deliver FTE costs (approximately 20 FTE) for some emerging aspects of implementing a new RM system, including:
  - i. work for establishing new institutions (i.e., a planning tribunal and a national regulator)
  - ii. additional legal assistance to help meet the accelerated timing of the legislation
  - iii. preparing and implementing standardised zoning (not included in initial Phase 3 scope)

- iv. improving the current RM consenting and monitoring system to be more fit-for-purpose until such time as a modern new system is developed (discussed further below and not included in original Phase 3 scope).
17. Changes to the scope and nature of the national direction package that ensure more alignment with Phase 3 would help us manage workload within the existing FTE (even as staffing continues to reduce), rather than needing to increase FTE for a short period (2025 and part of 2026). The above calculations are based on the current national direction continuing on timeframes agreed by Cabinet (delivery by Mid 2025).

**Non-FTE costs**

18. Our non-FTE cost estimates total \$26m over four years, not including costs associated with establishing new entities (refer below). This estimate includes a range of matters, including 9(2)(h) [REDACTED], work to uphold Treaty settlements, and a possible external expert advice panel to guide standardised zoning work. Generally, the total non-FTE costs will depend on the scope of the reforms.
19. Almost all Treaty settlements to date include redress that provides rights or creates duties with respect to processes under the Resource Management Act. Meeting the Cabinet-agreed principle of upholding Treaty settlement arrangements and reforming the resource management system is likely to require specific discussions with Post-Settlement Governance Entities (PSGEs) as to how the Crown’s settlement commitments will be upheld.
20. We propose to allocate up to \$16m over three years to support this process, based on reprioritised funding within our existing baseline. The amount is less than the amount required to work through settlement discussions with PSGEs during the previous government’s reform. During this process, the funding went towards resourcing PSGEs or sourcing specialist advice on the implications of reform for Treaty settlement arrangements and to support deed drafting.
21. The degree to which the reforms change the way settlement redress will operate will dictate the extent of non-FTE funding required. There is a risk the funding allocated will be insufficient to complete the work required to uphold Treaty settlements within the proposed timeframe, which may lead to delays in transitioning to the new system as well as an increased risk of litigation. However, we will keep you informed throughout the process to manage and mitigate such risks to the greatest extent possible.

**Possible new entities**

22. Any new Resource Management System is likely to need new institutions. Current thinking from the Expert Advisory Group, referenced in the recent Cabinet paper, includes a Planning Tribunal. This paper also notes a need for an increased focus on monitoring and compliance in a new system with more permitted activities. A Compliance and Enforcement regulator could be a key part of this focus, as could a spatial planning role or responsibility.
23. If the Government chooses to set up new institutions, establishment funding will be needed along with some level of ongoing funding. 9(2)(f)(iv) [REDACTED]  
[REDACTED]  
[REDACTED]

24. We are currently investigating costs associated with both types of institutions and will provide more detail in a subsequent briefing informed by discussions with MoJ. Our initial estimates (not factoring in cost recovery) are very broad, as policy decisions have not yet been taken. For example, a national compliance and enforcement regulator might range in cost from:
- i. 9(2)(f)(iv) per annum for a national oversight regulator similar to the NSW model in Australia
  - ii. 9(2)(f)(iv) per annum for a regionally-based regulator tasked with taking action in response to non-compliance identified by local government
  - iii. 9(2)(f)(iv) per annum, if it was to absorb the 800 FTE (approximate) currently performing this role in local government, even if economies of scale could be realised. These roles are currently funded through rates and user charges.
25. A planning tribunal could range in cost, depending on whether or not lawyers were involved in the process, and its range of responsibilities, including a potential spatial planning role.
26. While these entities could potentially be funded through cost recovery, they will require some start-up funding or an establishment loan. We propose:
- i. A tagged contingency bid for a Planning Tribunal, comprising:
    - 9(2)(f)(iv) in non-FTE establishment costs for Budget 25
    - an envelope of 9(2)(f)(iv) per annum from Budget 26 onwards, dependent on policy and Cabinet decisions across 2025 and 2026 (subject to further advice from MoJ).
  - ii. A tagged contingency bid for a national Compliance and Enforcement regulator, comprising:
    - 9(2)(f)(iv) in non-FTE establishment costs for Budget 25
    - an envelope of 9(2)(f)(iv) from Budget 26 onwards, dependent on policy and cabinet decisions across 2025 and into 2026
27. We would need to caveat such a contingency amount in the Budget bid, and keep Cabinet updated on cost implications as decisions are taken on the scope of the RM Reform, with a possible revision of tagged contingency amounts in 2026.

***Standardised RM consenting and e-planning monitoring and performance system***

28. To facilitate a more effective and efficient RM system, substantial overhaul of the current data system (the National Monitoring System – NMS) will be needed. The current approach is out-dated and not fit-for purpose.
29. Overseas jurisdictions such as Australia have significantly more modern and mature systems that standardise and automate large portions of the consenting process and generate reporting and statistics on key targets. These systems also have e-planning at state or national levels that improves consistency, and usability for applicants and

councils alike. Modern systems also help with monitoring and oversight, including delivery of targets and outcomes such as housing, density, jobs growth, and infrastructure delivery.

30. New Zealand's system in comparison is largely manual, slow, and time-consuming, and doesn't provide the information Ministers and other decision-makers need to make robust and timely decisions. There are at least 76 different entities across the country which procure and implement their own computer systems for e-planning and resource consenting. This leads to inefficiencies for users of the RM system who have to engage in different ways around the country.
31. Although we have the NMS for RMA processes, often this can't give us insights into how the system is working, why things are happening or where Government could intervene to make improvements, change policy settings, and remove obstacles to deliver intended outcomes and targets.
32. To improve the system, we are considering how to take a sequenced approach, potentially including:
  - i. 9(2)(f)(iv) in non-FTE costs to make minor improvements to the current system to make it fit-for-purpose and transferrable into a future new system, including geo-tagging
  - ii. up to 9(2)(f)(iv) in non-FTE costs to develop a strategic business case for a more significant investment into a new, modern system, consistent with overseas jurisdictions
  - iii. capital expenditure and associated operational expenditure for a complete overhaul of the RM consenting and e-planning system, supported by a strategic business case, potentially managed through the Investment Management System run by the Treasury.
33. While the cost of a standardised RM consenting and e-planning monitoring and performance system could potentially be funded through cost recovery, this would need to be investigated as part of a strategic business case. Further, there may be an opportunity to gain efficiencies from working with other digital programmes underway such as work on the new building consents system, which we can investigate.

### **Third party implementation funding**

34. This bid does not include any funding to incentivise third parties to accelerate implementation of the new system, such as local government. However, there may be value in creating such incentives.
35. We seek your direction on whether to prepare any advice for you on such funding in the subsequent briefing next week, or whether you might prefer to consider this as policy decisions occur, 9(2)(f)(iv)

## **Waste levy: options for capping the WMF to support other uses of the levy and potential Crown savings**

36. Through Budget 25 there are two decision streams that come together to identify a suitable annual amount for waste-related investment:
  - i. enabling savings through options to cap the WMF at three annual levels: \$15m, \$30m, \$60m (advice due to the Treasury by 23 December 2024)
  - ii. use of levy funds across other waste-related activities (advice to be provided through the Budget 2025 process in early 2025)
37. Decisions on these matters will impact the amount of funding available for broader activities, including potential Crown savings from shifting activities into the levy. Different timeframes for decisions mean that, when submitting options on the WMF, we will only be able to signal an indicative savings range subject to future decisions on other waste-related activities.
38. In addition to savings enabled at each level, key considerations across cap options include: overall value for money of WMF investment, including administration costs; impact on commitments in the second Emissions Reduction Plan (ERP2) and overall sufficiency of the plan; the degree of balance in the investment portfolio across Government waste priorities; the waste sector's ability to co-invest; and social licence of the levy (a strong enough link between the source of the levy (waste disposal facility operators) and its uses).
39. Appendix 3 provides detailed advice on each of the WMF cap options, alongside initial advice on the use of levy funds across other waste-related activities and investments to help contextualise decisions on savings from the WMF. Further advice and decisions on other waste-related activities and investments areas will be provided in early 2025.
40. Based on assessment of the criteria above, our advice is that each of the caps outlined in the Budget 25 letter would be sub-optimal. We propose an additional option of \$50m. This strikes the balance of enough funding for ERP2 commitments alongside some additional waste infrastructure investment, while still delivering value for money through co-investment in high-quality projects.
41. Noting the request to work alongside the Minister of Climate Change on the interactions with ERP2 as part of this process, we are seeking the Minister for the Environment's endorsement of the approach to providing options to cap the Waste Minimisation Fund at \$15m, \$30m, and \$60m per annum, alongside a preferred additional option of \$50m.

### **Broader use of levy funds**

42. Through the broader Budget 25 process, choices are required on how much of the levy to spend in any year and on what mix of activity (within the legislated parameters). Decisions on the overall levy-funded waste-related components (including the quantum set aside for the WMF), outlined above and in Appendix 4, will then inform how much additional revenue is available for broader purposes.
43. There are two main ways remaining levy revenue can be used:

- i. identifying existing environmental activities that could be funded through the waste levy; this was an expectation set from Budget 24, including to generate additional savings for the Crown
  - ii. new investment: holding back some levy funds for investment on new environmental initiatives in future years.
44. We expect that Ministers will make decisions on the balance between these two options as part of the Budget 25 process.

#### ***Enabling further savings through Budget 2025***

45. As discussed in the funds and grants section, we are identifying options within the environment portfolio for existing funds to be funded by the levy instead of the Crown. More broadly, the Treasury is leading the process of identifying other environmental initiatives across government that may be suitable for levy funding<sup>1</sup>.
46. In considering these options, it should be noted that such shifts are not, in economic terms, true savings as the costs are shifted to someone else (levy payers). This means more levy funds are needed than otherwise necessary, with funds also not available for other uses. In practice, this means ensuring a strong focus on value and facing up to stopping or reducing funds – and not just using the levy to secure Crown savings.

#### ***Looking further ahead – allocation of revenue beyond Budget 2025***

47. The exact amount to hold back for future new initiatives is an important judgment. There are two key considerations. First, future decisions on savings need to consider the appropriate approach to managing funding priorities over time in case actual levy revenue is lower than current forecasts.
48. Based on recent forecasts, levy revenue is expected to increase in coming years (peaking around FY2027/28), however this is subject to change over time. This is covered further in the Risks section of this briefing. Second, there is an option to keep some revenue in reserve – for example \$30m across the later years of the forecast period – so that the funding is available to contribute to emerging environmental priority areas.
49. There are also choices on how investment could be utilised in future years, either directly as specific initiatives or by increasing the scale of a broad investment fund (see the funds and grants section below). A combination would also be possible. An example of a specific initiative that can be funded is the Environmental Protection Authority's ecotoxicological assessment models which were signalled as a constraint in the Vote Environment Performance Plan.<sup>2</sup>

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<sup>1</sup> Given significant previous reductions in Budget 24, there is likely a limited number of initiatives that levy funds could be used for, essentially supplanting existing Crown funding. The Treasury has advised it is gathering information to better understand opportunities for contaminated site remediation, with a particular focus on Crown-owned land.

<sup>2</sup> While the WMA amendments allow for the Secretary for the Environment to approve funding for activities that reduce environmental harm or increase environmental benefits (section 30(1)(iv) of WMA), we note that other

50. An example of how a broader investment fund could be used is extending public-private co-investment (as occurs for waste) into other investments to improve environmental outcomes. This could also support implementation of the Government's simplification and de-regulation of environmental management. For example, funding could be used to incentivise catchment level action to complement freshwater policy reforms. A broader approach would also ultimately benefit further from a cross-ministerial and cross-agency approach that better integrated and aligned investment activity.

## **Review of savings potential within funds and grants**

51. The Budget 2025 letter requested a review of funds and grants (funds) to generate savings and improve value, including through fund consolidation. Subject to completing a review, we have identified opportunities to exceed the overall savings ask. These include the potential for savings to support implementation of resource management reform (or be applied or used more broadly). We recommend you take a long-term view of how the whole fund landscape might evolve when making choices about savings.

### **Possible reset of the fund landscape**

52. There is an opportunity to simplify the fund landscape, improve its coherence and increase value for money. This could be achieved by transitioning away from several small and tightly specified funds to a small number of bigger funds with broader scope. For example, a broad fund could relate to enhancing local and regional environments, covering improvements, mitigations and remediations of all kinds. Another could focus on promoting and growing capability for environmental management. Or delivery projects and capability investments could both sit within one fund.
53. Resetting in this way would improve investment flexibility; facilitate better choices across investment options; better reflect the interdependent nature of environmental effects and their management; strengthen scope for leveraging investments; and reduce administration costs. All of these would drive better value-for-money. This would also improve ability to support government priorities, including initiatives that help local and regional implementation of resource management reform.
54. Depending on your views, we could start a reset through Budget 25. Some savings could be redirected to get one or more broader funds going, with further scaling in out-years. As noted above, wider gains would also be possible from stronger cross-agency collaboration.

### **Savings options across individual funds**

#### ***Environment portfolio***

55. The Budget 2025 letter seeks annual savings of between \$2.67m (low) and \$5.4m (high) across environment funds. There are environmental funds beyond those outlined in the B25 Letter (Appendix 1) which can also be considered for savings options.

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Ministers may have expectations that funding for this purpose is agreed by Cabinet as part of overall budget decision making, with implementation by the Secretary for the Environment.

56. A summary of savings options (subject to further work) is set out below, with summary rationale attached in Appendix 4. These options were derived from our full portfolio of funds, not just those identified in the Budget 2025 letter. The total annual average spend assessed across all funds considered by the Ministry for this exercise (excluding the Waste Minimisation Fund) is \$34.5m (as at OBU 2024).

Category	Funds	Annual average savings (25/26-28/29)	Total savings (25/26-28/29)
<b>Funding not required for allocated purposes</b>	Climate Emergency Response Funding	\$3.725m	\$14.90m (All in 25/26)
	Regional planning implementation	\$0.57m	\$2.28m (All in 27/28)
	Indigenous biodiversity fund	\$0.74m	\$2.95m (All in 27/28)
<b>Use of the Waste Disposal Levy instead of Crown expenditure</b>	Kaipara Moana Remediation Fund	\$3.53m	\$14.1m (All in 28/29)
	Promotion of Sustainable Land Management	\$0.8m	\$3.2m
<b>Sub-total – limited impact on work programme</b>		<b>\$9.365m</b>	<b>\$37.43m</b>
<b>Stopping or downscaling funds to make savings</b>	Water science and economics	\$1.5m	\$6.0m
	9(2)(f)(iv), 9(2)(g)(i)		
<b>Sub-total – notable impact on work programme</b>		<b>\$1.5-<sup>9(2)(g)(i)</sup>m</b>	<b>\$6 -<sup>9(2)(g)(i)</sup>m</b>
<b>No Change</b>	UNEP programme contribution	\$0m	\$0m
	International Subscriptions		
	Waikato River Co-Governance Contribution		
<b>Total</b>		<b>\$10.865 -<sup>9(2)(g)(i)</sup>m</b>	<b>\$43.43 -<sup>9(2)(g)(i)</sup>m</b>
<b>Savings options requested in letter</b>		<b>High: \$5.34m</b>	<b>\$21.36m</b>
		<b>Low: \$2.67m</b>	<b>\$10.68m</b>

57. Across the options outlined above, there would be total annual savings available of around \$11m each year (average each year over the forecast period). This *excludes* potential climate-related savings, discussed below. We seek direction on your preferred savings options as well as your views on resetting the fund landscape given the broader opportunity for future gains.

**Climate portfolio**

58. The Budget 25 letter seeks annual savings of between \$1.25m and \$2.5m across funds in the climate portfolio. There are two relevant appropriations:

- i. Climate Resilience for Māori, which currently has \$10m appropriated for 2025/26 (\$9m for 2024/25)
- ii. UN Framework Convention on Climate Change Funding Contribution (UNFCCC), which is an ongoing amount of \$0.17m per annum.

59. In practice, savings are only possible in relation to Climate Resilience for Māori, as the contribution for UNFCCC is both important and difficult to amend.

60. We considered whether Climate Resilience for Māori could be funded by the waste levy, and whilst it could potentially meet the criteria of reducing / increasing environmental harms / benefits, the fund sits within a wider context of Māori-Crown relations such that direct Crown funding is more appropriate.

61. We caution against removing the fund completely (the high savings scenario suggested in the Budget 25 letter). There are connections to the legal framework and Māori Climate Platform, along with an important relationship dimension with tangata Māori, particularly the Iwi Chairs Forum. In that context, stopping the fund ahead of plans would require a process of engagement.

62. Subject to further discussion with Minister Watts, we recommend the low savings option (halving the 2025/26 amount to \$5m). This reflects the delayed commencement of pilot initiatives; the importance of their evaluation to inform future activity; some uncertainty about the fund’s investment aims; and the wider savings imperative. This option, if adopted, could take the total savings across all Vote Environment funds, for the four-year period, to \$52.23m (an average of \$12.94m each year).

63. 9(2)(f)(iv)  
[Redacted]

64. Together with Minister Simmonds, we recommend you direct the Ministry to work with the Treasury to put forward a consolidated submission on savings for the Climate and Environment funds. These portfolios and their funding have high interdependencies and ideally in our view should be considered together.

## Te Tiriti analysis

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65. Te Tiriti analysis of decisions across the Budget 25 package is ongoing, and we will cover this in the final advice you receive.

## Other considerations

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### Consultation and engagement

66. Due to Budget sensitivity and tight timeframes, engagement to date has been minimal. We have engaged with the Treasury to confirm the details of the WMF cap options (as indicated in the Budget 2025 letter) and how other levy-funded waste-related components would be considered by Ministers. The Treasury's feedback has been reflected in this advice.
67. To inform the approach to understanding likely costs for elements of the new resource management system we have engaged with MoJ and their feedback has been reflected in advice.

### Risks and mitigations

68. Resource management risks are being assessed and will be covered in subsequent briefings. Allocating levy funds requires ongoing management of the risk where levy revenue is subject to change over time. Since Budget 24 decisions were made, officials have updated forecasts for expected levy revenue (August 2024), leading to an approximately 10 per cent lower forecast revenue. Levy revenue is still expected to increase over the next three years, as levy rate increases are applied.
69. Eventually levy revenue is expected to decline, as the sector responds to levy rate increases and efforts to reduce waste gain traction. Current projections suggest that this decline might start from FY2028/29 although there is considerable uncertainty.<sup>3</sup>

### Legal issues

70. Legal advice will be provided as part of further Budget 25 advice and waste levy decisions planned for early 2025.

## Next steps

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71. We are seeking your feedback and decisions by 10am on 9 December 2024 so we can refine the package further ahead of officials' meetings that week. Decisions rest with the

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<sup>3</sup> Forecasting levy revenue is complex and uncertain due to multiple factors such as market dynamics, policy impact, impact of government investment on diversion, and data quality. These figures are estimates only and will likely shift over time. Allocating levy funds requires an ongoing managing of the risk where levy revenue is subject to change over time.

respective Responsible Ministers but will require bilateral or trilateral discussions when these interact across portfolios. We will then provide:

- i. final advice to confirm final options (12 December 2024)
  - ii. draft letter to MoF summarising all Budget 25 initiatives (18 December 2024).
72. Minister Simmonds will then finalise and send the letter to MoF on behalf of all Vote Environment Portfolio Ministers. Initiative templates and the submission letter will be submitted to the Treasury via CFISnet by 23 December 2024.
73. The Treasury is providing guidance shortly on Minister Seymour's baseline savings exercise and we will provide further advice on this as soon as possible. Minister Watts has been asked to write to Minister Seymour by 13 February 2024 outlining savings proposals in the Climate portfolio
74. The approach to providing advice and seeking final decisions on the broader levy-funded waste-related activities is expected to be progressed in 2025 (pending further discussions with the Treasury) either prior to or alongside Budget 25 financial recommendations being agreed in April 2025.

# **Appendix 4 – Advice on grants and funds savings options**

[Appendix 4 - Advice on grants and funds options.docx](#)



## **Appendix 4 - Advice on grants and funds savings options**

### **Savings options across environment funds**

1. Further to the table of savings options in the briefing, the overall summary rationale for savings options is set out below. This assessment remains work-in-progress, including to consider implications and risks. We have prepared options here across our full funds portfolio – not just those identified in the Budget 2025 letter.

### **Funding not required for allocated purposes**

2. *Climate Emergency Response Funding (CERF)* – This was introduced in 2022 to help improve New Zealand’s ability to reduce emissions from waste. \$14.9m is appropriated for 2024/25, which is not needed given levy funding is available to support projects already underway. Other CERF amounts were previously moved into the waste levy.
3. *Regional planning implementation* – Across three funds (delivery partners (First Tranche Regions), NGOs and regional readiness) Budget 24 removed most funding, while leaving \$2.285m in 2027/28. This is legacy funding introduced by the previous government, now overtaken by resource management reform.
4. *Indigenous biodiversity fund* – Budget 24 removed most funding, while leaving \$2.95m in 2027/28. This is also legacy funding.
5. Across the options above, \$5.035m (average expenditure each year) could be saved.

### **Use of the Waste Disposal Levy instead of Crown expenditure**

6. These options relate to wider use of the levy with an associated saving in government expenditure; this would support the public service savings imperative.
7. *Kaipara Moana Remediation Fund* – Budget 24 transferred some amounts inside the levy, while leaving \$14.1m for 2028/29 which was outside the forecast period at the time. For coherence, this amount should also now transfer to the levy. This investment could also sit within a broader fund (if established), while retaining profile of the project as part of the fund’s portfolio.
8. *Promotion of Sustainable Land Management* – This funding supports the New Zealand Landcare Trust (\$0.8m each year) to promote sustainable land management, thereby directly supporting environmental improvements (the relevant requirement for levy use). This activity could sit within a broader fund, which would signal that other parties should also have opportunity to propose land (and wider environmental) management investments. Respectful of the Trust’s interests, a smooth transition away from current arrangements would be required, including coordinated change with MPI as the other key funder. There is also an opportunity to increase the funding available should levy funds be used.
9. Across the options above, \$4.33m (average expenditure each year) could be saved

10. We considered whether two other funds could use levy funding. While Climate Resilience for Māori could potentially meet the criteria of reducing/increasing environmental harms/benefits, the fund sits within a wider context of Māori-Crown relations such that Crown funding is appropriate. The Environmental Training Programmes could potentially also use levy funding. While ultimately influencing environmental outcomes, its capability building focused may be seen as too removed from the delivery connotation of the levy criteria.

#### Stopping or downscaling funds to make savings or for reprioritisation

11. Across the fund portfolio, there are opportunities to stop or reduce expenditure to further contribute to savings or reprioritisation.
12. *Environmental Training Programmes* – This fund (\$1.9m each year) is for the Toimata Foundation to deliver Enviroschools and Te Aho Tū Roa. The Ministry has funded the Enviroschools Programme since 2001, during which time the programme has increased environmental awareness among hundreds of thousands of school students, usually with a practical focus on what positive actions they can take in their own lives.
13. One option is to stop or downscale this fund or ultimately include such programmes as part of a broader investment fund (the latter being our preference for the longer term). Good practice would ensure periodic contestability of supply and, consistent with Cabinet's new circular on needs-based service provision, openness to capability investments for other groups. Subject to hearing Ministers' views, if downscaling or stopping is preferred, a notice period (likely 2 years) would be desirable to manage transition.
14. *Water science and economics* – This fund (\$1.5m each year) was introduced in 2020 as part of supporting the National Policy Statement for Freshwater Management. This fund could be stopped from 1 July 2025. It overlaps with the departmental funding allocated to research, and there is lack of clarity of the fund relative to the roles and research agendas of other organisations, particularly ESR and NIWA. The fund is also an example of in-built favouritism of specific activities or groups (in this case privileging water science research ahead of other research areas).
15. Across these options, \$1.5 - 2.45m could be saved in average expenditure each year.

#### No Change

16. *Contributions to international agreements* – There are three separate funds (UNFCCC (\$0.17m each year), UNEP programme contribution (\$0.61m) and International Subscriptions Multilateral Environmental Agreements (\$0.15m). Collectively these are small and influencing any change would be complex. One fund could cover all contributions, though this tidiness benefit is not considered significant enough to make change. The funds also cross portfolios.
17. *Waikato River Co-Governance Contribution* – This fund (\$0.98m each year) is for the operational costs of the Waikato River Authority. This is a Crown commitment.
18. Across these options, no savings would be made.



## Briefing: Final decisions on the Budget 25 package

Date submitted: 13 December 2024

Tracking number: BRF-5717

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Chris BISHOP <b>Minister Responsible for RMA Reform</b> Hon Simon WATTS <b>Minister of Climate Change</b> Hon Penny SIMMONDS <b>Minister for the Environment</b>	Review and provide decisions confirming details of the savings and spending initiatives to submit through Budget 25.	10am Monday 16 December
CC Hon Andrew HOGGARD <b>Associate Minister for the Environment</b>	N/A	N/A

### Actions for Minister's office staff

Return the signed briefing to the Ministry for the Environment ([advice@mfe.govt.nz](mailto:advice@mfe.govt.nz)).

### Appendices and attachments

Appendix 1: Overview of Resource Management bid components

### Key contacts at Ministry for the Environment

Position	Name	Cell phone	First contact
Principal Author	Charlotte Wood	9(2)(a)	
Chief of Staff	Martin Workman	022 517 3268	✓

### Minister's comments



# Final decisions on Budget 25 package

## Key messages

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1. The Minister of Finance (MoF) has been clear that Budget 2025 will be focused on boosting economic growth, and that savings are required to fund Government priorities and achieve better economic outcomes. The package outlined here helps achieve this through a combination of investment in resource management reform, options for a broader use of the Waste Disposal Levy to achieve wider environmental gains, and savings across our wider grants and funds portfolios.
2. This package outlines choices for ministers in two key areas:
  - i Options for improving the environmental investments landscape, both to deliver savings through Budget 25 and to establish a broader fund with potential for greater value for money and investment flexibility to align with government priorities. There is potential to draw on the waste levy to resource such a fund to support local and regional initiatives, including community-level RM implementation.
  - ii Options for funding Resource Management (RM) Reforms through a combination of reprioritisation and new funding. The invited bid will enable policy development and implementation of the Government's reforms to realise the government's ambition for housing and infrastructure growth.
3. Through a review of funds and grants we have identified savings options that exceed the scenarios requested by the MoF. In total, \$13.54m annual average savings are possible (\$54.14m over the four years). These funds could be returned to the Crown and/or repurposed for environmental purposes (supporting RM reform and/or the establishment of an environment investment fund) – an indication of your current thinking would support further work.
4. As requested, we have outlined options for funding RM development and implementation by offsetting costs by 25%, 50% and 75%. Our advice is the 50% option provides the right balance between fiscal discipline, and the need to retain a small amount of headroom for potential legal, workforce and work programme risks over the forecast period.
5. We do not propose to offset the cost of new RM entities, such as planning tribunals, as these will be third party structures of a yet unknown scale and scope. We recommend staged and tagged contingency funding of up to \$40m per annum for the establishment of these institutions.
6. Our approach to Budget 25 comes as the Ministry manages a steep funding and staffing decline following the 2023 Mini Budget and Budget 24. We are on track to more than halve in workforce size by 1 July 2027 to <sup>9(2)(iv)</sup> FTEs, from 1,230 funded in 2023/24.
7. On Tuesday we will support Ministers to jointly discuss the approach to RM funding and the implications of this on Vote Environment portfolios, and whether you have a collective position on the broader use of the waste levy (for final decisions in early 2025).

## Recommendations

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We recommend that you:

- a. **Note** Budget 25 provides an opportunity to enhance the environmental funds landscape to facilitate greater investment flexibility and value for money, including better alignment to Government priorities.
- b. **Note** a new broader environmental investment fund could be considered alongside decisions on use of the Waste Disposal Levy in early 2025, including use of the levy to resource this fund.
- c. **Note** Budget 25 provides an opportunity to deliver the Resource Management Reform by submitting a new spending bid, but this requires you to put forward savings to offset a significant portion of the bid cost.
- d. **Note** that, depending on decisions made by you and the Minister of Finance, we may need to adjust appropriations to reflect a rebalancing across the Ministry.

*Minister Simmonds: Decisions on environment grants and funds*

- e. **Agree** to submit the following savings proposals, outlined in Table 1, for consideration through the Budget 25 process:
  - i. \$3.725m annual average savings from Climate Emergency Response Funding  
Yes | No
  - ii. \$0.57m annual average savings from Regional planning implementation  
Yes | No
  - iii. \$0.74m annual average savings from Indigenous biodiversity fund  
Yes | No
  - iv. \$3.53m annual average savings from Kaipara Moana Remediation Fund (via waste levy transfer)  
Yes | No
  - v. \$0.8m annual average savings from Promotion of Sustainable Land Management (via waste levy transfer)  
Yes | No
  - vi. \$1.5m annual average savings from Water science and economics  
Yes | No
  - vii. 9(2)(g)(i)   
Yes | No

- f. **Note** these savings would be available for return to the Crown, or for repurposing in part or full, towards an environmental investment fund and/or contributing to the implementation costs for RM reform (further noting that these decisions will need to occur in early 2025 when decisions on broader use of the Waste Disposal Levy are taken).

*Minister Watts: Decisions on climate grants and funds*

- g. **Note** you are expected to submit at least the low savings target of \$1.25m annual average savings signalled for the Climate Change Portfolio in the Budget 25 Letter (in practice, halving the 2025/26 amount of \$10m, while noting that a carry forward of some of the 2024/25 funding may also be possible)
- h. **Agree** to submit \$1.25m annual average savings (a \$5m reduction in 2025/26) from Climate Resilience for Māori

Yes | No

*Minister Bishop: Decisions on implementation of resource management reforms*

- i. **agree** an RM Budget Bid of 9(2)(f)(iv) will be submitted, comprising:
- i 9(2)(f)(iv) in Ministry costs, which will be subject to offsetting by the Ministry as directed by the Minister for Finance
- ii 9(2)(f)(iv) for establishment of new RM entities (such as a planning tribunal and national regulator), which is not intended or able to be offset by the Ministry, and may be funded through cost recovery, pending future government decisions

Yes | No

Yes | No

- j. **agree** that RM Bid will identify a 50% offset (\$38.93m) of the Ministry costs portion of the bid as the preferred offset amount, drawn from savings generated by recent decisions around wage contingency draw-down and funding of waste administration activities via the Waste Levy, and lower than anticipated costs resulting from the Ministry's change process

Yes | No

- k. **note** that an offset of 75% (\$58.394m) is beyond the Ministry's ability to fund, and will require significant reprioritisation across all responsible ministers' portfolios to address a consequential funding shortfall of approximately \$12m

- I. **note** that the bid does not include funding to incentivise third parties to accelerate implementation of the new system, such as local government, or associated Ministry administration costs.

## Signatures

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Martin Workman  
Chief of Staff  
**Office of the Chief Executive**  
**13/12/2024**

Hon Chris BISHOP  
**Minister Responsible for RMA Reform**

Hon Simon WATTS  
**Minister of Climate Change**

Hon Penny SIMMONDS  
**Minister for the Environment**

# Final decisions on Budget 25 package

## Purpose

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1. This is the final briefing for ministers on our approach to the spending and savings submissions we were invited to contribute to Budget 25. It seeks your final approval, or final direction ahead of the joint Minister meeting on December 17, for initiatives we will submit to the Treasury by 23 December 2024.

## Background

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2. On 18 November 2024, the Minister of Finance (MoF) wrote to you about Budget 25 requesting the following by 23 December 2024:
  - i **Waste Levy:** Present options for capping the Waste Minimisation Fund (WMF) at \$15m, \$30m, and \$60m.
  - ii **Funds and Grants:** Identify savings options including through potential improvements in the coherence and overall value of the fund landscape; savings scenarios requested are \$1.25m and \$2.5m for climate funds, and \$2.67m and \$5.3m for environment funds (annual average savings).
  - iii **Resource Management (RM) implementation:** Invitation to put forward a new initiative bid for implementation of Resource Management reforms, with options to offset the costs by 25%, 50%, and 75% through scaling and/or reprioritisation.
3. On 4 December, Minister Seymour wrote to Minister Watts seeking an opportunity to further review the Climate portfolio funding, with an intent to find further savings. The next step in this process is a bilateral Minister meeting, which is still to be scheduled.
4. On 6 December, the Ministry provided you with initial advice on how you might respond to the MoF's requests.
5. Minister Simmonds agreed to the proposed approach which includes a preferred additional Waste Minimisation Fund (WMF) cap option of \$50m, including provision for the waste emissions reduction investments required for the Second Emissions Reduction Plan.
6. For RM implementation and Grants and Funds, Ministers met with Officials the week commencing 9 December to discuss our initial advice.

## Analysis and advice

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7. Budget 25 provides two key opportunities for work funded through Vote Environment:
  - i Enhancing the environmental investment landscape to support improved value for money, including ability to better invest in local and regional initiatives that align to Government priorities and support deregulation of environmental management

(noting that this is dependent on decisions on broader utilisation of waste levy funds); and

- ii Ensuring that the RM reforms can be effectively implemented, noting that this will require reprioritisation of existing resource.
8. These two areas also have important connections. In particular, a more permissive consenting process envisioned as part of RM reforms would rely on better environmental data to track outcomes and performance. An environmental investment fund could support a more permissive approach by investing in initiatives such as a local environment data-focussed catchment group pilot linked to RM reforms that demonstrates the outcomes that can be achieved. Other important aspects of environmental management could also be supported by the fund.

## Waste Levy

- 9. As requested, we have outlined options for capping the WMF at \$15m, \$30m, \$60m, and an additional preferred cap option – agreed by Minister Simmonds – of \$50m.
- 10. Further advice on the funding for the wider waste and hazardous substances work programme and broader use of the waste levy will be provided in early 2025 to support decisions through later stages of the Budget 25 process.
- 11. Not allocating all waste levy funding through Budget 25 would retain the option to fund new environmental investment in future years, including to incentivise activities that support the Government’s more deregulatory approach to environmental management. The potential use of the levy to resource a broader environmental fund is discussed below.

## Grants and Funds

- 12. Minister Simmonds expressed support for establishing a broad environment investment fund that helps consolidate existing activity and offers improved investment flexibility and value for money. A fund of this nature would require some establishment funding – to have meaningful scale – which could be drawn from other savings in Crown funding and/or use of the Waste Disposal Levy.
- 13. As the fund would be used for non-departmental activity (i.e. allocated to other organisations), the Ministry considers there is a strong case to use the levy to support the fund’s overall level. The fund would be directly aligned with the levy’s new more permissible use: for improving environmental benefits or reducing environmental harms. Final decisions on use of available levy funding are not scheduled until early 2025; however, the Ministry considers allocation to a new investment fund would be a strong contender for its use.
- 14. In terms of savings across the existing fund landscape, Minister Simmonds and Minister Watts directed us to work with Treasury on the option to put forward a combined savings proposal across environment and climate funds together. While this aggregated savings picture is important – it is all funding for environmental purposes – the Treasury has reiterated that separate budget templates for the environment and climate portfolio are required, including to respond to the savings scenarios requested in each.

## Savings options

15. The Budget 25 letter sets out the following grants and funds savings targets:

- I. Environment portfolio: high of \$5.34m annual average savings and low of \$2.67m annual average savings;
- II. Climate Change portfolio: high of \$2.5m annual average savings and low of \$1.25m annual average savings;

16. Our recommended saving options are summarised in Table 1. Specific commentary on individual funds, including rationale for changes, was provided in Appendix 4 of the initial advice (BRF-5672).

<b>Table 1: Recommended savings options</b>			
<b>Category</b>	<b>Funds</b>	<b>Annual average savings (25/26-28/29)</b>	<b>Total savings (25/26-28/29)</b>
<b>Funding not required for allocated purposes</b>	Climate Emergency Response Funding	\$3.725m	\$14.90m (All in 25/26)
	Regional planning implementation	\$0.57m	\$2.28m (All in 27/28)
	Indigenous biodiversity fund	\$0.74m	\$2.95m (All in 27/28)
	<b>Sub-total – No impact on work programme</b>	<b>\$5.035m</b>	<b>\$20.14m</b>
<b>Use of the Waste Disposal Levy instead of Crown expenditure</b>	Kaipara Moana Remediation Fund	\$3.53m	\$14.1m (All in 28/29)
	Promotion of Sustainable Land Management	\$0.8m	\$3.2m
<b>Sub-total – Change in funding source only</b>		<b>\$4.33m</b>	<b>\$17.3m</b>
<b>Stopping funds to make savings</b>	<b><i>Environment portfolio</i></b>		
	Water science and economics	\$1.5m	\$6.0m
	9(2)(g)(i)		
	<b><i>Climate portfolio</i></b>		
	Climate Resilience for Māori	\$1.25m	\$5.0m
<b>Sub-total – Notable impact to work programme</b>		9(2)(g)(i)	
<b>Total</b>			

17. With respect to the above options, some specific points should be noted, including evolution in our view since the initial advice:
- i *Use of the Waste Disposal Levy* – In order to make use of the levy, there should be a clear link from activities to environmental benefits or reductions in harm. We are satisfied with the case for levy use for Promotion of Sustainable Land Management.  
 9(2)(g)(i) [REDACTED]
  - ii 9(2)(g)(i) [REDACTED]
  - iii *Climate Resilience for Māori* - As previously advised, this is also more appropriately funded by the Crown given the connection to Māori-Crown partnership. In terms of the saving level, we consider that stopping this fund completely (one of the MoF’s savings scenarios) would, in the context of partnership, have significant relationship and potentially wider Treaty risk. A halving of the 2025/26 allocated amount is considered manageable, with an underspend from 2024/25 potentially carried forward to support future activity and recognise the later start to pilot investments that remain important to implement and evaluate.
18. Across the above options, \$13.54m of savings would be available each year (on average), or a total of \$54.14m over the four-year period. From the Ministry’s perspective, this total amount would be available for return to the Crown and/or repurposing to other environmental uses. Of this amount, \$5.64m annual average savings (\$22.56m over the four-year period) would be above the “high” savings asks across both the environment and climate portfolios.
19. If some or all of the savings can be repurposed, they could contribute to the costs of RM reform and/or support the establishment of a new broad investment fund. We see a fund as strategically significant for environmental management, including supporting Government priorities. As noted earlier, we think there would be a strong case for using levy funding to support a fund. However, if levy funding is not confirmed in early 2025 (given other levy use choices), we note there would remain an option for the Crown savings generated by the Ministry’s funds and grants review to be repurposed into the fund.

## Resource management reform bid and reprioritisation options

### Confirming size and components of the RM bid

20. Minister Bishop’s direction on the timing of the work and the core components of the Phase 3 work has helped us to refine the proposed RM bid to comprise:
- i \$9(2)(f)(iv) in FTE costs (temporary additional staff above our baseline)

- ii \$9(2)(f)(iv) in non-FTE costs
- iii \$9(2)(f)(iv) for new RM entities, such as a planning tribunal and national regulator.

21. Details on what this would fund are provided in Appendix 1.
22. We are seeking your approval to submit a new spending template for \$9(2)(f)(iv) in total, with \$9(2)(f)(iv) per annum (total of \$9(2)(f)(iv)), held in contingency for new RM entities such as a planning tribunal and national regulator.

**Confirming savings options to offset RM bid**

23. The Budget 25 letter asked us to also submit savings and or scaling options to offset 25%, 50% and 75% of the bid costs.
24. We are treating the RM Bid in two parts: Part 1 being Ministry costs for policy development, legislative drafting, system improvements, and implementation; and Part 2 being costs for new entities that may be established as a result of future government decisions, such as a planning tribunal and national regulator.

*Part 1: Ministry costs*

25. Given that the scope and scale of the Phase 3 work programme will continue to evolve as government decisions are taken in 2025, we are not proposing to scale our bid. However, we have kept the scope and resources extremely tight, and lower than past legislative reform resourcing.
26. We have considered the relative impacts of each offset quantum (refer Table 2 below) to understand the implications for our financial sustainability and our current work programmes across your respective portfolios.

<b>Table 2: Revised RM Bid and Offsets – excluding new entities</b>	
	9(2)(f)(iv)
<b>FTE Cost</b>	
<b>Non-FTE Cost</b>	
<b>Total</b>	

27. We can offset up to 50% (\$9(2)(f)(iv)) of the bid as a consequence of decisions made during Budget 24. However, offsetting 75% (or \$9(2)(f)(iv)) of the RM Bid would be beyond our means if we are to continue to deliver the current agreed work programme across all portfolios.
28. During the Budget 24 period, there was a high level of uncertainty on our future funding. When decisions were taken on the Ministry’s future workforce size, two areas were not included in the future revenue profile: drawdown of the wages contingency, which has only been formally confirmed at the 2024 October Baseline Update; and the waste and hazardous substances policy work programme, which is now funded through the Waste Levy rather than Ministry funds. Further, the Ministry’s change process anticipated fewer voluntary redundancies and some staff staying longer, which meant \$5m allocated for staff costs was not needed and is available to help offset costs.

29. Subsequently, we are now projecting that, after allowing for cost pressures, we can achieve a 9(2)(f)(iv) lower overall spend over the forecast period. In addition, as signalled above, there is an option to repurpose savings from grants and funds (all or a portion) to also offset part of the RM Bid.
30. An offset of this size would leave a small amount of funding to manage ongoing cost pressures, such as wage inflation and other matters identified in the Vote Environment Performance Plan.
31. Should MoF require an offset of 75% or 9(2)(f)(iv) (which is around 9(2)(f)(iv) more than we could cover with unallocated funding), responsible Ministers across both Environment and Climate portfolios would need to identify work programmes to delay, rescope and/or stop work that is not a statutory requirement. This option would likely require stopping Ministers' priority work signalled in the early 2024 letters to the Prime Minister and outlined in the Vote Environment Performance Plan.
32. We have also assessed whether the waste levy could be used to fund some RM reform implementation costs. This is not possible for FTE or ministry costs. This reflects the Act's provision (s30(1)(c)(vi)) that, when funding the Ministry itself to undertake functions, the levy can only be used in relation to waste management and minimisation and hazardous substances, which does not extend to work on resource management reform.
33. We recommend putting forward the 50% savings as our preferred offset option. This will allow us to effectively use our baseline across the forecast period, while leaving some future funding to manage cost pressures such as wage inflation and increased litigation.

*Part 2: Treatment of new entities*

34. Given the unknown scale of external new entities the Government may decide to establish as part of the RM reform (i.e., a planning tribunal and a national regulator), we would not be able to offset such costs. Further, should decisions be made to fund these entities through a cost recovery mechanism, the funds may not be needed, or not needed in their entirety.
35. We have therefore recommended such funds be held as tagged contingencies until such time as key decisions are made. Further, we intend to put forward the position that funding for new entities be excluded from the offset requirements.
36. Our rationale for not including new entities within the offset includes:
  - i The scale and scope of new entities is yet to be determined, and subject to future government decisions
  - ii The proposed funding would be held in tagged contingency, and be passed directly to a third party (the new entity), and not for funding Ministry activities
  - iii The magnitude of the current estimated costs would mean we will be unable to deliver all statutory obligations or other government commitments
  - iv Some costs are likely to be met through cost recovery via third parties (which would also support scaling decisions).

37. Initial estimates indicate that the costs for a tribunal and a national regulator could range from 9(2)(f)(iv) - 9(2)(f)(iv) per annum, depending on decisions yet to be taken by government. Working with a moderate estimate of 9(2)(f)(iv) per year for both entities, any required offset would amount to 9(2)(f)(iv) - 9(2)(f)(iv), which cannot feasibly be borne by the Ministry.
38. Should MoF require us to offset these costs, a dramatic change in approach would be required, with a significant reprioritisation of our existing work programme, reducing our delivery of ministerial priorities, and inability to deliver many core statutory obligations.
39. Instead, we intend to provide options for scaling the bid cost for the new entities by 25-75%, with scaling options able to be explored at the time the contingency is drawn down. Treasury have indicated that they would support this type of approach.

## Te Tiriti analysis

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40. *Grants and funds:* Many Māori live in coastal, rural or remote areas and are particularly vulnerable to the effects of climate change. In these circumstances, the Crown has a Treaty duty to take active steps to protect Māori land and taonga. Iwi and hapū are seeking a role in climate adaptation, and article 2 of the Treaty guarantees iwi and hapū the right to exercise rangatiratanga in respect of their lands and taonga. The principle of partnership also requires the Crown to work with Māori on the development and implementation of policy, particularly where their interests are affected.
41. A reduction in funding for grants and funds that support Māori initiatives in relation to climate change may be viewed by some as a breach of the principle of partnership. To the extent that reduced funding also affects the protections available to Māori communities, and the ability of hapū and iwi to be involved in adaptation to the effects of climate change, it may also be viewed as a breach of the principles of rangatiratanga and active protection. However, we note that the proposed reduction relates to a single, relatively small funding initiative and the Crown's Treaty obligations apply across all initiatives to address climate change.
42. *Resource management reform bid and reprioritisation options:* In addition to the Crown's Treaty settlement commitments, the Treaty requires a high standard of good-faith engagement and consultation with Māori groups whenever the Crown seeks to modify or amend any settlement agreement. Any changes to the settlement must be agreed with relevant post-settlement governance entities (PSGEs) to avoid undermining the settlement.
43. There is a risk the proposed funding allocated to upholding settlements with PSGEs will be insufficient to complete the work required to uphold Treaty settlements within the proposed timeframe – however it is difficult to determine the scale of this risk without knowing the full detail of the reform and how it may impact on settlement arrangements. Failing to reach agreement with PSGEs on how to uphold settlement arrangements may lead to delays in transitioning to the new system as well as an increased risk of litigation.
44. *Waste minimisation fund and waste levy:* no Tiriti implications were identified based on the advice outlined in BRF-5672.

## Other considerations

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### Consultation and engagement

45. We have engaged with the Treasury on our approach to the Budget 25 workstreams, to confirm it meets their requirements and expectations. This includes what funds are in scope for the grants and funds review, how to approach the Waste Minimisation Fund caps and potential savings enabled, and how to approach the reprioritisation options for the RM Phase 3 Implementation initiative. We have reflected the Treasury's advice in our approach to the Budget 25 package and initiative templates.

### Risks and mitigations

46. *RM Bid*: The proposed approach to providing RM bid offset options differs from the expectations signalled in the Budget 25 letter and Treasury Guidance. We have prepared clear rationale for this approach.
47. *RM Bid*: In reforms of the resource management system, scope-creep is often a risk to delivery. To ensure any funding allocated is sufficient, the scope of reforms will need to be closely managed. We would alert Ministers to any additional or different policy that could not be absorbed through this funding.
48. *RM Bid*: Large IT projects often carry a risk of overspends. If the government decides to pursue a new RM consenting, e-planning, monitoring and data system, this risk would need to be actively managed. However, our proposal at this stage is only for specialist support to develop a business case to prove the value for such an investment.
49. *Grants and Funds savings*: Decisions to stop or scale Toimata funding poses a communications risk given strong public support for the long-running programmes. Allowing an appropriate phase out period can help manage this, by providing time for other funding options to be explored, reducing disruption to programme delivery. Capability investment would also remain important over time, and something the Ministry would intend to actively consider within a broad investment fund that was open to all providers and for all groups of people.
50. *Grants and Funds savings*: Decisions to stop or scale funding for Climate Resilience for Māori pose a risk to the Crown Māori relationship, and more specifically the relationship with the National Iwi Chairs Forum's climate Pou, Pou Take Āhuarangi. This would be actively managed, including through, if our proposal is accepted, carrying forward some funding from 2024/25.
51. *Grants and Funds savings*: Shifting investments/initiatives into levy funding (in order to save Crown funding) requires a clear link of the activities that reduce environmental harm or increase environmental benefits. The link needs active consideration as part of decisions to use the levy. More generally, use of the levy – at levels approaching the available total – carries the risk that actual activity that drives levy revenue is lower than forecast and risks the levy being overspent. This risk requires regular forecasting and monitoring, and a small risk buffer as management experience of the levy grows.

## Legal issues 9(2)(h)

[REDACTED]

## Next steps

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53. We are seeking your decisions on the savings and spending initiatives outlined in this briefing by 10am Monday 16 December. This will enable us to finalise and circulate the material to support your joint Minister meeting, scheduled for 12:45 Tuesday 17 December.
54. The focus of the joint Minister meeting will be to ensure that all Ministers are comfortable with the Budget 25 initiatives that need to be submitted by 23 December, whether you have a collective position on the broader use of the waste levy (for final decisions in early 2025), and how these should be positioned with MoF.
55. On 18 December, we will then provide Minister Simmonds a draft letter to MoF, on behalf of all responsible Vote Environment Ministers, summarising the Budget 25 initiatives.

In parallel, Officials will complete the detailed bid templates and aim to submit these to Treasury by 20 December. We suggest that Minister Simmonds reviews and approve the letter before going on leave, but that the letter is actioned by the office *following* confirmation from Officials that budget templates have been submitted.

## APPENDIX 1: DETAILS OF RM BID COMPONENTS

1. The Minister for Finance has invited a bid for the Resource management Phase 3 implementation costs.
2. As government decisions are yet to be taken on the scale and scope of Phase 3, we have designed our bid based on the FTE and non-FTE costs required to deliver of the following work:
  - i Development of standardised zoning, including an expert advisory group
  - ii Additional legal assistance to help meet the accelerated timing of the legislation
  - iii Science and policy work to develop workable environmental limits
  - iv Working with Treaty partners to meet legislative obligations and ensure Treaty settlements are upheld
  - v Exploring cost recovery mechanisms
  - vi Work associated with scoping and establishing new entities (i.e., a national regulator and planning tribunal)
  - vii Additional spatial planning capability
  - viii Improving and standardising the current RM consenting and e-planning monitoring and performance system, and developing a business case for a future major overhaul
  - ix Collateral needed to support system actors to implement the new system quickly
3. Given the need to deliver both the National Direction programme and the RM Reform Phase 3 at the same time, the Ministry would need a temporary increase in FTEs, along with additional non-FTE costs. This would equate to a maximum increase of 72 FTEs in FY25, 55 FTEs in FY26, 33 in FY27, and then reverting to the original downward-trending baseline in FY28.
4. The additional non-FTE costs would cover additional legal support to meet accelerated timeframes, upholding Treaty and settlement obligations, an external advisory group to guide standardised zones, and specialist support to develop a business case for a future major overhaul of the RM consenting and e-planning monitoring and performance system.
5. This bid does not include any funding to incentivise third parties to accelerate implementation of the new system, such as local government. However, there may be value in creating such incentives. Should this be required, additional FTE and non-FTE funding will be needed.



## Briefing: Vote Environment Budget 25 letter to Minister of Finance

Date submitted: 18 December 2024

Tracking number: BRF-5719

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Penny SIMMONDS <b>Minister for the Environment</b>	Finalise grants and funds savings for submission to Budget 25 Sign the letter to Minister of Finance summarising Budget 25 initiatives (Appendix 1)	19 December 2024
CC Hon Chris BISHOP <b>Minister Responsible for RMA Reform</b>	N/A	N/A
CC Hon Simon WATTS <b>Minister of Climate Change</b>		
CC Hon Andrew HOGGARD <b>Associate Minister for the Environment</b>		

### Actions for Minister's office staff

**Return** the signed briefing to the Ministry for the Environment ([advice@mfe.govt.nz](mailto:advice@mfe.govt.nz)).

**Action** the submission letter (Appendix 2) and attachment (Appendix 3) *following* confirmation from Officials that all Budget 25 templates have been submitted to Treasury

### Appendices and attachments

Appendix 1: [Proposed Adjustments to International Subscription Appropriations](#)  
 Appendix 2: [Budget 25 Vote Environment Submission Letter](#)  
 Appendix 3: [Vote Environment Grants and Funds Summary](#)

### Key contacts at Ministry for the Environment

<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Charlotte Wood	9(2)(a)	✓
Chief of Staff	Martin Workman	022 517 3268	

### Minister's comments

# Summary of Budget 25 spending and savings submissions

## Key messages

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1. This briefing seeks your final decisions on environment grants and funds savings and provides you with the material to respond to the Budget 25 letter from the Minister of Finance on behalf of Vote Environment Ministers.
2. Final decisions for grants and funds include a revised recommendation for savings of \$0.3m per year from the Environmental Training Programmes appropriation (Toimata) and agreement to use a small portion of savings identified to offset exchange rate exposure for our international subscriptions across both Environment and Climate portfolios – outlined in Appendix 1.
3. Appendices 2 and 3 provide the Budget 25 submission letter and an attachment to the letter for you to sign on behalf of Vote Environment Ministers. Officials will then coordinate with your office to action the submission letter to MoF once detailed initiative templates have been submitted to the Treasury.

## Recommendations

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We recommend that you:

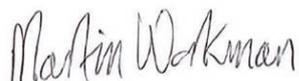
- a. **Note** decisions have already been taken by Responsible Ministers regarding a resource management new spending bid and savings offsets, targeted policy savings related to the waste levy, and grants and funds savings within the Climate and Environment portfolios (except for two outstanding decisions, below)
- b. **Agree to** submit savings for Environmental Training Programmes (Toimata) of:
  - i. **Either** \$0.3m per year (recommended) Yes | No
  - ii. **Or another** amount as directed Yes | No
- c. **Agree** to reprioritise a small portion (\$0.349m each year) of environment fund savings to avoid future breaches of appropriations due to exchange rate and subscription increases (Appendix 1) Yes | No
- d. **Agree** to submit a total of \$12.07m savings across Climate and Environment portfolios Yes | No
- e. **Note** Appendices 2 and 3 have been drafted on the assumption that the above recommendations are agreed

- f. **Agree** to sign and provide the Minister of Finance with the submission letter (Appendix 2) and grants and funds summary (Appendix 3) attached to this briefing

Yes | No

## Signatures

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Martin Workman  
Chief of Staff  
**Office of the Chief Executive**  
**18 December 2024**

Hon Penny SIMMONDS  
**Minister for the Environment**

**Date**

# Summary of Budget 25 spending and savings submissions

## Purpose

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1. This briefing provides advice to confirm final decision on environment grants and funds savings to be submitted to the Budget 25 process and provides the material for you to send to the Minister of Finance (MoF) summarising budget initiatives to submit across Vote Environment.

## Analysis and advice

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### Finalising savings to submit for environment grants and funds

#### *Confirming savings from Environmental Training Programmes (Toimata)*

2. In response to BRF-5717 you signalled a preference for a partial reduction in funding for the Environmental Training Programmes appropriation (which funds Toimata), with the intent to retain EnviroSchools and identify savings from stopping Te Aho Tū Roa.
3. Subsequent conversations clarified that your main intent is to ensure Vote Environment funding is firmly focussed on environmental outcomes, and that the broader focus of Te Aho Tū Roa is not appropriate to continue funding through the Vote.
4. The Ministry does not currently specify how Crown funding of \$1.9M should be allocated by Toimata across its programmes. Toimata's allocation of Crown funding is substantively (about 85%) towards its common costs that support all work programmes. Relatively small amounts (the remaining 15%) are then directly allocated to programmes themselves.
5. We recommend savings of \$0.3m each year. This figure reflects the small proportion of Crown funding directed towards Toimata's programme delivery, and the smaller scale of Te Aho Tū Roa's programme compared to EnviroSchools. We also considered Toimata's cost pressures, recognising that the Crown contribution to their costs has not increased since 2012. If decisions are confirmed through Budget 25, the Ministry would work with Toimata to be clear that Crown funding going forward is not to support Te Aho Tū Roa.

#### *Addressing international subscription cost pressures*

6. As part of finalising the savings package, we would like to address a relatively minor matter in terms of funding value, but an important one in terms of the integrity of our spending against appropriations.
7. We are seeking your agreement to reprioritise a small amount of Environment portfolio savings (\$0.349m/year) to avoid a breach of appropriations due to exchange rate and subscription increases. Any surplus not used each year would be returned to the Crown.
8. The appropriations and changes recommended are outlined in Appendix 1. Any surplus not used each year would be returned to the Crown.

### **Summary of grants and funds savings**

9. If you agree to the recommendations related to Toimata and international subscription cost pressures, there would be a total of \$12.07m grants and funds savings each year (a total of \$48.28 over the four years) – this includes the annual saving (\$1.125m) in Climate Resilience for Māori. As discussed, these savings will all be submitted through the Budget 25 process with a clear signal to MoF that Ministers will be revisiting the environment funding landscape in the new year.

### **Budget 25 submission letter to the Minister of Finance**

10. Your submission letter to MoF must include a summary of all Vote Environment Budget 25 initiatives and attach the Grants and Funds Summary Template for the Climate and Environment Portfolios. You can also provide additional context and key messages for MoF in the body of the letter.
11. Appendix 2 provides the draft submission letter for you to send on behalf of Vote Environment Ministers. It is informed by:
  - i the templates provided by Treasury to summarise initiative details
  - ii final decisions made by Vote Environment Ministers on spending and savings initiatives
  - iii key messages provided as supporting material for the joint Ministers meeting, with updates to reflect discussions, including the importance of waste levy funding to support future strategic environmental investment
12. Appendix 3 provides the Grants and Funds Summary Template for the Climate and Environment portfolios. This has been drafted based on existing decisions by Minister Watts and yourself, and assumes that you agree to the recommendations outlined in this briefing.

### **Next steps**

---

13. If decisions are different to those recommended in this briefing, we will provide updated material to your office reflecting your direction as soon as possible.
14. We understand that you will be on leave from 19 December 2024. We recommend that you sign the submission letter prior to going on leave, but that the letter is only actioned by your office following confirmation from the officials that initiative templates have been submitted into the Treasury system.

## Appendix 1: Proposed Adjustments to International Subscription Appropriations

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30 & Out- years
NZ\$'000						
<b>UNITED NATIONS ENVIRONMENT PROGRAMME</b>						
<b>Current funding available</b>	609	633	633	593	593	593
Proposed increment		171	171	211	211	211
<b>Proposed new funding at NZ\$1= US\$0.45</b>		804	804	804	804	804
<b>INTERNATIONAL SUBSCRIPTIONS</b>						
<b>Current funding available</b>	152	152	152	152	152	152
Proposed increment		78	78	78	78	78
<b>Proposed new funding at NZ\$1= US\$0.45</b>		230	230	230	230	230
<b>FRAMEWORK CONVENTION ON CLIMATE CHANGE</b>						
<b>Current funding available</b>	207	170	170	170	170	170
Proposed increment		80	80	80	80	80
<b>Proposed new funding at NZ\$1= EURO\$0.45</b>		250	250	250	250	250

Note: The current exchange rate: NZ\$1 = US\$0.56 and EURO\$0.53

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings  
Wellington

Dear Nicola

I am confirming that initiatives for the Ministry for the Environment have been submitted, covering proposals for both the Climate Change and Environment Portfolios. Vote Environment Ministers have worked together to develop the package of savings and spending initiatives outlined in this letter. The package recognises the need for fiscal discipline, Budget 2025's focus on boosting economic growth, and the importance of delivering on coalition agreements.

Officials have worked to exceed the savings you requested in grants and funds and to identify options to offset a substantial portion of the cost of the resource management implementation 'new spending' bid. This is in addition to the significant funding returned from Vote Environment through the 2023 Mini-Budget and Budget 2024 which will see the Ministry's funded FTE more than halve between 2023/24 and 2026/27 (to <sup>9(2)(iv)</sup> positions).

The Ministry has designed its Budget 2025 proposals to ensure the Government's RM reform agenda is achievable and enable wider ambitions for housing and infrastructure development, economic growth and productivity.

You will note the package goes further than requested in identifying just over \$12m of savings each year (annual average) across the Ministry's funds and grants; this is significantly above the combined 'high' asks of \$7.84m across the Environment and Climate portfolios. Consistent with your request to consider consolidation of funds, the process has also highlighted a significant opportunity to improve the overall funds landscape ahead.

Environment Ministers are of the view that there is benefit in simplifying and decluttering the overall funds approach. We seek your support to do further work in the new year to consolidate funding into a strategic environment investment fund, which would provide clearer expectations from the Crown, better value for money and alignment to Government priorities, and greater accountability to the public for outcomes.

With existing short-term funding for some environmental activities coming to an end, this is an opportunity to fund investments at community and catchment-level, including to help implement the government's priorities for environmental management reform. As part of this work we would look to utilise growing headroom in the waste disposal levy to build the broader fund (noting that the levy can only be used for environmental purposes under the Waste Minimisation Act). In the new year we would like to discuss with you retaining some of the grants and funds savings identified through Budget 25 to establish this fund.

I am submitting the targeted policy savings and grants and funds initiatives for the Environment portfolio as detailed below. It is important to note that some environment grants and funds savings are dependent on waste levy decisions to be made through later stages of the Budget 25 process.

ID 16366	Savings	Targeted Policy Savings	Waste Levy - additional savings options
ID 16367	Savings	Funds and Grants	Environment funds – Savings and Streamlining

The Minister of Climate Change is submitting the grants and funds initiatives outlined below for the Climate Change portfolio as detailed below.

ID 16368	Savings	Funds and Grants	Climate Resilience for Māori – Downscaling of Fund
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The Minister Responsible for Resource Management Act Reform is also submitting the new spending commitment initiative as detailed below.

ID 16365	New Spending	New Spending Commitments	Resource Management Act Reform Phase 3 Implementation
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I have also annexed to this letter the Grants and Funds Summary Template for both the Climate Change and Environment Portfolios.

Yours sincerely

Hon Penny Simmonds  
Minister for the Environment

## Grants and Funds Submission Summary

Portfolio: Climate Change

This summary template is to provide information on grants and funds choices to meet the high and low savings values set through the Budget 2025 Invitation Letters for each portfolio. Letters outlining the Budget 2025 strategy and the relevant high and low amounts have been issued to Ministers (with Chief Executives CC'd).

A copy of this summary must be attached to your Minister's submission letter to the Minister of Finance, and uploaded to the CFISnet document sharing function by **1pm Monday 23 December 2024**. Agencies must also submit the relevant Annex 2: Savings (all agencies) for individual grants and funds initiatives.

	High Amount	Low Amount
<b>Total Operating</b>	\$10.00m	\$5.00m
<b>Total Operating per annum (from 2025/26 onwards)</b>	\$2.50m	\$1.25m
<b>Details</b>	<p>This scenario relates to a removal of all funding allocated for 2025/26 (\$10.00m down to \$0.00m).</p> <p>This scenario is not supported.</p> <p>We caution against removing the fund completely. There are connections to the legal framework and Māori Climate Platform, along with an important relationship dimension with tangata Māori, particularly the Iwi Chairs Forum. In that context, stopping the fund ahead of plans would require a process of engagement.</p>	<p>This scenario relates to a 50% reduction in funding allocated for 2025/26 (\$10.00m down to \$5.00m).</p> <p><b>This is the preferred scenario.</b></p> <p>A \$5.00m saving for 2025/26 would be an appropriate balance of factors, ensuring the fund retains sufficient scale while better aligning the investment level to the emergent nature of investment activity, and generating meaningful savings to support the wider savings imperative.</p>
<b>Risks and mitigation</b>	<p>There remains important work to do and invest in related to climate resilience for Māori, many of whom live in coastal, rural or remote areas that are particularly vulnerable to the effects of climate change.</p> <p>In the context of Māori-Crown partnership, this scenario would have significant relationship and potentially wider Treaty risk.</p> <p>While the Crown's Treaty obligations apply across all initiatives to address climate change (noting the fund is a single and relatively small scale initiative), a reduction in funding that supports Māori initiatives in relation to climate change may be viewed by some as a breach of the principles of partnership and active protection.</p> <p>From a broader perspective, other saving options have been generated across environment funds that, considered together with the climate "low" savings, are above the combined "high" savings ask from the Minister of Finance. In other words, other savings options are strongly preferred to the risk associated with complete removal of funding for climate resilience for Māori.</p>	<p>There is no adverse impact of any significance on Government priorities. The identified savings support delivering effective and fiscally sustainable public services by reducing funding to a level more commensurate with value for money when all factors are taken into account.</p> <p>A downscaled fund would mean less funding is allocated to tangata Māori to support climate resilience at local levels. In principle, this increases risk to relevant communities (less preparedness and resilience), however this risk increase is considered negligible given the relatively small scale of overall investment, along with the context of present investment being in pilot initiatives that need to be evaluated to test their effectiveness to inform future plans and initiatives.</p> <p>The risk of the fund reduction is considered manageable, including through proactive discussion with the Iwi Leaders Forum. Under the existing Multi-Year Appropriation, there is also scope for some 2024/25 funding to be carried into 2025/26 to ensure a meaningful overall level of investment in pilot initiatives.</p>

## Grants and Funds Submission Summary

Portfolio: Environment

This summary template is to provide information on grants and funds choices to meet the high and low savings values set through the Budget 2025 Invitation Letters for each portfolio. Letters outlining the Budget 2025 strategy and the relevant high and low amounts have been issued to Ministers (with Chief Executives CC'd).

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	High Amount	Low Amount
<b>Total Operating</b>	\$43.28m (compared to \$21.36m "high" ask)	N/A - (\$10.68m "low" ask per letter)
<b>Total Operating per annum (from 2025/26 onwards)</b>	\$10.82m (compared to \$5.34m "high" ask)	N/A - (\$2.67m "low" ask per letter)
<b>Details</b>	<p>A review of environment funds and grants identified savings options totalling \$12.07m each year (annual average) of \$46.24m total over the four-year period. These saving exceed the "high" scenario requested.</p> <p>Savings options were generated in three categories: (i) Funding not required for allocated purposes (\$5.04m average each year); (ii) Proposed use of the Waste Disposal Levy (if agreed these options would replace use of Crown funding and constitute a saving for the Crown) (\$4.33m average each year); and (iii) Stopping or downscaling funds (\$3.05m average each year).</p> <p>Environment Ministers have worked together and support all of the saving options that have been identified.</p> <p>In undertaking assessment, there was particular regard to improving value for money, including through potential consolidation and simplification of arrangements, as well avoiding or reducing the costs of administering and managing funds – consistent with the Minister of Finance's request.</p> <p>Environment Ministers are interested in the possibility of repurposing some savings towards a broad environment investment fund, for further consideration in early 2025. As part of this work we would look to utilise growing headroom in the waste disposal levy to build the broader fund (noting that the levy can only be used for environmental purposes under the Waste Minimisation Act). However, there may be a case for repurposing some savings to support the establishment of a new fund with strategic significance for environmental investment, including better alignment of activities with government priorities.</p>	<p>The Ministry identified savings options that exceeded the "high" scenario, with Ministers supportive of these savings being realised. As such, no specific commentary or rationale related to the "low" scenario is being provided.</p>
<b>Risks and mitigation</b>	<p>There is no impact of any significance on Government priorities. The identified savings support delivering effective and fiscally sustainable public services by removing funding from small and tightly defined funds that are either not needed or not considered strong value-for-money. The direction of moving to a broader fund, which would strengthen investment prioritisation and improve investment flexibility, also has potential to further improve value-for-money over time, including better alignment with government priorities.</p> <p>Some savings in Crown funding stem from the funding source for some activities being shifted to the Waste Disposal Levy. This is consistent with government expectations from Budget 24, making wider use of the levy now possible from recent changes to the Waste Minimisation Act. There is current and forecast headroom within the levy to accommodate additional activities.</p> <p>The most significant risk would be a reduction in funding for environmental training programmes delivered through Toimata. This risk is considered manageable with the provider, given a wider revenue base with other funding partners and ongoing work on further revenue diversification.</p> <p>A water science research fund is proposed to stop. This change would likely attract some adverse comment. There is no strong rationale for the continuation of the fund given wider funding for research, both within the Ministry and the core research roles of other organisations.</p>	<p>The Ministry identified savings options that exceeded the "high" scenario, with Ministers supportive of these savings being realised. As such, no specific commentary or rationale related to the "low" scenario is being provided.</p>

### Initiative Breakdown for High and Low Grants and Funds Amount

Please ensure that the initiative IDs, PA Objective and Title match their corresponding CFISnet Submissions

Please ensure that the sum of the High and Low columns match the high and low amounts outlined in Budget 2025 Invitation Letters for the portfolio

Average per annum should be calculated as the average savings from 2025/26 onwards, please refer to Budget 2025: Guidance

Individual Budget 2025 Savings Templates are required for each initiative (grant and/or fund)

Initiative ID	PA Objective	Vote	Portfolio	Title	High Amount (average per annum, \$m)	Low Amount (average per annum (\$m)	Comments
16368	Grants and Funds	Environment	Environment	Climate Emergency Response Fund - Waste Initiatives (MYA)	(3.734)		
16368	Grants and Funds	Environment	Environment	Regional Planning Implementation - Regional Readiness (MYA)	(0.396)		
16368	Grants and Funds	Environment	Environment	Regional Planning Implementation - Delivery Partners in First Tranche Regions (MYA)	(0.075)		
16368	Grants and Funds	Environment	Environment	Regional Planning Implementation - Non-Government Organisations (MYA)	(0.100)		
16368	Grants and Funds	Environment	Environment	Indigenous Biodiversity Fund (MYA)	(0.738)		
16368	Grants and Funds	Environment	Environment	Kaipara Moana Remediation	(3.525)		
16368	Grants and Funds	Environment	Environment	Promotion of Sustainable Land Management	(0.800)		
16368	Grants and Funds	Environment	Environment	Water science and economics	(1.500)		
16368	Grants and Funds	Environment	Environment	Environmental Training Programmes	(0.300)		
16367	Grants and Funds	Environment	Climate	Climate Resilience for Māori (MYA)	0.000	(1.250)	
16368	Grants and Funds	Environment	Environment	United Nations Environment Programme	0.191		Exchange rate cost pressure
16368	Grants and Funds	Environment	Environment	International Subscriptions	0.078		Exchange rate cost pressure
16368	Grants and Funds	Environment	Environment	Framework Convention on Climate Change	0.080		Exchange rate cost pressure
<b>Total average (\$m)</b>					<b>(10.819)</b>	<b>(1.250)</b>	
<b>Total (\$m)</b>					<b>(43.277)</b>	<b>(5.000)</b>	



## Briefing: Vote Environment Budget 25 letter to Minister of Finance

Date submitted: 18 December 2024

Tracking number: BRF-5719

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Penny SIMMONDS <b>Minister for the Environment</b>	Finalise grants and funds savings for submission to Budget 25 Sign the letter to Minister of Finance summarising Budget 25 initiatives (Appendix 1)	19 December 2024
CC Hon Chris BISHOP <b>Minister Responsible for RMA Reform</b>	N/A	N/A
CC Hon Simon WATTS <b>Minister of Climate Change</b>		
CC Hon Andrew HOGGARD <b>Associate Minister for the Environment</b>		

### Actions for Minister's office staff

**Return** the signed briefing to the Ministry for the Environment ([advice@mfe.govt.nz](mailto:advice@mfe.govt.nz)).

**Action** the submission letter (Appendix 2) and attachment (Appendix 3) *following* confirmation from Officials that all Budget 25 templates have been submitted to Treasury

### Appendices and attachments

Appendix 1: [Proposed Adjustments to International Subscription Appropriations](#)  
 Appendix 2: [Budget 25 Vote Environment Submission Letter](#)  
 Appendix 3: [Vote Environment Grants and Funds Summary](#)

### Key contacts at Ministry for the Environment

<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Charlotte Wood	9(2)(a)	✓
Chief of Staff	Martin Workman	022 517 3268	

### Minister's comments

# Summary of Budget 25 spending and savings submissions

## Key messages

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1. This briefing seeks your final decisions on environment grants and funds savings and provides you with the material to respond to the Budget 25 letter from the Minister of Finance on behalf of Vote Environment Ministers.
2. Final decisions for grants and funds include a revised recommendation for savings of \$0.3m per year from the Environmental Training Programmes appropriation (Toimata) and agreement to use a small portion of savings identified to offset exchange rate exposure for our international subscriptions across both Environment and Climate portfolios – outlined in Appendix 1.
3. Appendices 2 and 3 provide the Budget 25 submission letter and an attachment to the letter for you to sign on behalf of Vote Environment Ministers. Officials will then coordinate with your office to action the submission letter to MoF once detailed initiative templates have been submitted to the Treasury.

## Recommendations

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We recommend that you:

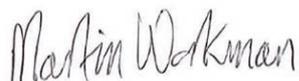
- a. **Note** decisions have already been taken by Responsible Ministers regarding a resource management new spending bid and savings offsets, targeted policy savings related to the waste levy, and grants and funds savings within the Climate and Environment portfolios (except for two outstanding decisions, below)
- b. **Agree to** submit savings for Environmental Training Programmes (Toimata) of:
  - i. **Either** \$0.3m per year (recommended) Yes | No
  - ii. **Or another** amount as directed Yes | No
- c. **Agree** to reprioritise a small portion (\$0.349m each year) of environment fund savings to avoid future breaches of appropriations due to exchange rate and subscription increases (Appendix 1) Yes | No
- d. **Agree** to submit a total of \$12.07m savings across Climate and Environment portfolios Yes | No
- e. **Note** Appendices 2 and 3 have been drafted on the assumption that the above recommendations are agreed

- f. **Agree** to sign and provide the Minister of Finance with the submission letter (Appendix 2) and grants and funds summary (Appendix 3) attached to this briefing

Yes | No

## Signatures

---



Martin Workman  
Chief of Staff  
**Office of the Chief Executive**  
**18 December 2024**

Hon Penny SIMMONDS  
**Minister for the Environment**

**Date**

# Summary of Budget 25 spending and savings submissions

## Purpose

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1. This briefing provides advice to confirm final decision on environment grants and funds savings to be submitted to the Budget 25 process and provides the material for you to send to the Minister of Finance (MoF) summarising budget initiatives to submit across Vote Environment.

## Analysis and advice

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### Finalising savings to submit for environment grants and funds

#### *Confirming savings from Environmental Training Programmes (Toimata)*

2. In response to BRF-5717 you signalled a preference for a partial reduction in funding for the Environmental Training Programmes appropriation (which funds Toimata), with the intent to retain EnviroSchools and identify savings from stopping Te Aho Tū Roa.
3. Subsequent conversations clarified that your main intent is to ensure Vote Environment funding is firmly focussed on environmental outcomes, and that the broader focus of Te Aho Tū Roa is not appropriate to continue funding through the Vote.
4. The Ministry does not currently specify how Crown funding of \$1.9M should be allocated by Toimata across its programmes. Toimata's allocation of Crown funding is substantively (about 85%) towards its common costs that support all work programmes. Relatively small amounts (the remaining 15%) are then directly allocated to programmes themselves.
5. We recommend savings of \$0.3m each year. This figure reflects the small proportion of Crown funding directed towards Toimata's programme delivery, and the smaller scale of Te Aho Tū Roa's programme compared to EnviroSchools. We also considered Toimata's cost pressures, recognising that the Crown contribution to their costs has not increased since 2012. If decisions are confirmed through Budget 25, the Ministry would work with Toimata to be clear that Crown funding going forward is not to support Te Aho Tū Roa.

#### *Addressing international subscription cost pressures*

6. As part of finalising the savings package, we would like to address a relatively minor matter in terms of funding value, but an important one in terms of the integrity of our spending against appropriations.
7. We are seeking your agreement to reprioritise a small amount of Environment portfolio savings (\$0.349m/year) to avoid a breach of appropriations due to exchange rate and subscription increases. Any surplus not used each year would be returned to the Crown.
8. The appropriations and changes recommended are outlined in Appendix 1. Any surplus not used each year would be returned to the Crown.

### ***Summary of grants and funds savings***

9. If you agree to the recommendations related to Toimata and international subscription cost pressures, there would be a total of \$12.07m grants and funds savings each year (a total of \$48.28 over the four years) – this includes the annual saving (\$1.25m) in Climate Resilience for Māori. As discussed, these savings will all be submitted through the Budget 25 process with a clear signal to MoF that Ministers will be revisiting the environment funding landscape in the new year.

### **Budget 25 submission letter to the Minister of Finance**

10. Your submission letter to MoF must include a summary of all Vote Environment Budget 25 initiatives and attach the Grants and Funds Summary Template for the Climate and Environment Portfolios. You can also provide additional context and key messages for MoF in the body of the letter.
11. Appendix 2 provides the draft submission letter for you to send on behalf of Vote Environment Ministers. It is informed by:
  - i the templates provided by Treasury to summarise initiative details
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12. Appendix 3 provides the Grants and Funds Summary Template for the Climate and Environment portfolios. This has been drafted based on existing decisions by Minister Watts and yourself, and assumes that you agree to the recommendations outlined in this briefing.

### **Next steps**

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**Grants and Funds Submission Summary**

Portfolio: Environment

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## Briefing: Vote Environment Budget 25 letter to Minister of Finance

Date submitted: 18 December 2024

Tracking number: BRF-5719

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Penny SIMMONDS <b>Minister for the Environment</b>	Finalise grants and funds savings for submission to Budget 25 Sign the letter to Minister of Finance summarising Budget 25 initiatives (Appendix 2)	19 December 2024
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Appendix 2: [Budget 25 Vote Environment Submission Letter](#)

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### Key contacts at Ministry for the Environment

<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Charlotte Wood	9(2)(a)	✓
Chief of Staff	Martin Workman	022 517 3268	

### Minister's comments

# Summary of Budget 25 spending and savings submissions

## Key messages

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1. This briefing seeks your final decisions on environment grants and funds savings and provides you with the material to respond to the Budget 25 letter from the Minister of Finance on behalf of Vote Environment Ministers.
2. Final decisions for grants and funds include a revised recommendation for savings of \$0.3m per year from the Environmental Training Programmes appropriation (Toimata) and agreement to use a small portion of savings identified to offset exchange rate exposure for our international subscriptions across both Environment and Climate portfolios – outlined in Appendix 1.
3. Appendices 2 and 3 provide the Budget 25 submission letter and an attachment to the letter for you to sign on behalf of Vote Environment Ministers. Officials will then coordinate with your office to action the submission letter to MoF once detailed initiative templates have been submitted to the Treasury.

## Recommendations

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We recommend that you:

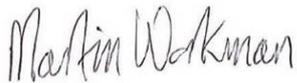
- a. **Note** decisions have already been taken by Responsible Ministers regarding a resource management new spending bid and savings offsets, targeted policy savings related to the waste levy, and grants and funds savings within the Climate and Environment portfolios (except for two outstanding decisions, below)
- b. **Agree to** submit savings for Environmental Training Programmes (Toimata) of:
  - i. **Either** \$0.3m per year (recommended) Yes | No
  - ii. **Or another** amount as directed Yes | No
- c. **Agree** to reprioritise a small portion (\$0.349m each year) of environment fund savings to avoid future breaches of appropriations due to exchange rate and subscription increases (Appendix 1) Yes | No
- d. **Agree** to submit a total of \$12.07m savings across Climate and Environment portfolios Yes | No

- e. **Note** Appendices 2 and 3 have been drafted on the assumption that the above recommendations are agreed
- f. **Agree** to sign and provide the Minister of Finance with the submission letter (Appendix 2) and grants and funds summary (Appendix 3) attached to this briefing

Yes | No

## Signatures

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Martin Workman  
Chief of Staff  
**Office of the Chief Executive**  
**18 December 2024**

Hon Penny SIMMONDS  
**Minister for the Environment**

**Date**

# Summary of Budget 25 spending and savings submissions

## Purpose

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1. This briefing provides advice to confirm final decision on environment grants and funds savings to be submitted to the Budget 25 process and provides the material for you to send to the Minister of Finance (MoF) summarising budget initiatives to submit across Vote Environment.

## Analysis and advice

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### Finalising savings to submit for environment grants and funds

#### *Confirming savings from Environmental Training Programmes (Toimata)*

2. In response to BRF-5717 you signalled a preference for a partial reduction in funding for the Environmental Training Programmes appropriation (which funds Toimata), with the intent to retain EnviroSchools and identify savings from stopping Te Aho Tū Roa.
3. Subsequent conversations clarified that your main intent is to ensure Vote Environment funding is firmly focussed on environmental outcomes, and that the broader focus of Te Aho Tū Roa is not appropriate to continue funding through the Vote. However, it is intended that the EnviroSchools programme is made available to kura kaupapa.
4. The Ministry does not currently specify how Crown funding of \$1.9M should be allocated by Toimata across its programmes. Toimata's allocation of Crown funding is substantively (about 85%) towards its common costs that support all work programmes. Relatively small amounts (the remaining 15%) are then directly allocated to programmes themselves.
5. We recommend savings of \$0.3m each year. This figure reflects the small proportion of Crown funding directed towards Toimata's programme delivery, and the smaller scale of Te Aho Tū Roa's programme compared to EnviroSchools. We also considered Toimata's cost pressures, recognising that the Crown contribution to their costs has not increased since 2012. If decisions are confirmed through Budget 25, the Ministry would work with Toimata to be clear that Crown funding going forward should be focussed on work related to environmental outcomes.

#### *Addressing international subscription cost pressures*

6. As part of finalising the savings package, we would like to address a relatively minor matter in terms of funding value, but an important one in terms of the integrity of our spending against appropriations.
7. We are seeking your agreement to reprioritise a small amount of Environment portfolio savings (\$0.349m/year) to avoid a breach of appropriations due to exchange rate and subscription increases. Any surplus not used each year would be returned to the Crown.

8. The appropriations and changes recommended are outlined in Appendix 1. Any surplus not used each year would be returned to the Crown.

### **Summary of grants and funds savings**

9. If you agree to the recommendations related to Toimata and international subscription cost pressures, there would be a total of \$12.07m grants and funds savings each year (a total of \$48.28 over the four years) – this includes the annual saving (\$1.25m) in Climate Resilience for Māori. As discussed, these savings will all be submitted through the Budget 25 process with a clear signal to MoF that Ministers will be revisiting the environment funding landscape in the new year.

## **Budget 25 submission letter to the Minister of Finance**

10. Your submission letter to MoF must include a summary of all Vote Environment Budget 25 initiatives and attach the Grants and Funds Summary Template for the Climate and Environment Portfolios. You can also provide additional context and key messages for MoF in the body of the letter.
11. Appendix 2 provides the draft submission letter for you to send on behalf of Vote Environment Ministers. It is informed by:
  - i the templates provided by Treasury to summarise initiative details
  - ii final decisions made by Vote Environment Ministers on spending and savings initiatives
  - iii key messages provided as supporting material for the joint Ministers meeting, with updates to reflect discussions, including the importance of waste levy funding to support future strategic environmental investment
12. Appendix 3 provides the Grants and Funds Summary Template for the Climate and Environment portfolios. This has been drafted based on existing decisions by Minister Watts and yourself, and assumes that you agree to the recommendations outlined in this briefing.

## **Next steps**

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13. If decisions are different to those recommended in this briefing, we will provide updated material to your office reflecting your direction as soon as possible.
14. We understand that you will be on leave from 20 December 2024. We recommend that you sign the submission letter prior to going on leave, but that the letter is only actioned by your office following confirmation from the officials that initiative templates have been submitted into the Treasury system.



# Briefing: Climate Change Portfolio Fiscal Strategy

Date submitted: 24 January 2025

Tracking number: BRF-5779

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Simon WATTS <b>Minister of Climate Change</b>	Review and provide direction on further work required to progress the Climate Change Portfolio Fiscal Strategy through Budget 25 and beyond.	28 January 2025

Actions for Minister's office staff
<b>Return</b> the signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ).

Appendices and attachments
<ol style="list-style-type: none"> <li><a href="#">Letter from Minister Seymour on the Baseline Savings Programme (4 December 2024)</a></li> <li><a href="#">Treasury Advice: Baseline Savings Programme – Climate Change</a></li> <li><a href="#">Statutory obligations and reporting requirements driven by the CCRA</a></li> <li><a href="#">Drivers of Climate Change portfolio funding increases</a></li> <li>9(2)(f)(iv)</li> </ol>

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Clodagh Jolly		
Deputy Secretary	Sam Buckle	022 0340311	✓

Minister's comments

Appendix 1 is refused in full under section 18(d) of the Act as the information will be made available on the Treasury's website by 7 August 2025. Appendix 5 is withheld in full under section 9(2)(f)(iv) of the Act to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials

# Climate Change Portfolio Fiscal Strategy

## Key messages

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1. This briefing provides advice and options for you to consider regarding the fiscal strategy for the Climate Change portfolio, which will support your meeting on 29 January 2025 with Minister Seymour in his capacity as Associate Minister of Finance.
2. Climate Change portfolio resourcing within Vote Environment has become a focus due to significant growth in funding<sup>1</sup> and FTE, from \$19.583m / 43 FTE in 2016/17 to \$87.586m / 250 fundable FTE<sup>2</sup> in 2023/24 (the FTE numbers are for the Ministry and the Climate Change Chief Executives Board only, and do not include FTE for the Environmental Protection Agency (EPA) and Climate Change Commission (the Commission)).
3. These increases enabled the delivery of a significantly bigger and more complex Climate Change work programme driven mainly by an increase in legislative and regulatory responsibilities in the Climate Change Response Act 2002 (CCRA). In 2016/17, the Ministry's main climate change responsibilities were limited to preparing the Greenhouse Gas Inventory, reporting against our obligations under the Kyoto protocol, and providing policy advice on the New Zealand Emissions Trading Scheme (ETS). Now, we are responsible for setting targets and emissions budgets, carrying out risk assessments, and preparing emissions reduction plans and national adaptation plans. This newer work involves greater data and evidence needs, and greater public engagement, including with iwi Māori. New entities – the Commission and the Climate Change Chief Executives Board – were also established and funded to carry out different roles in the system.
4. Vote Environment funding and FTE for the Climate Change portfolio is forecast to fall significantly as shown in the table below. Prior to the Budget 24 savings exercise, the Climate Change portfolio had \$413.075m of appropriations over the next four years (2024/25 to 2027/28)<sup>3</sup>. As at the March Baseline Update (MBU) 2025 this will reduce by \$112.348m (27 percent) to \$300.727m, to reflect Budget 24 savings offered, and the fiscally neutral rebalancing of appropriations between Climate and Environment at MBU 2025 to reflect the Ministry's organisational (workforce) restructure which took effect on 1 November 2024.

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<sup>1</sup> Climate change funding in this briefing excludes non-cash appropriations for ETS consistent with the Treasury's approach

<sup>2</sup> Fundable FTEs refers to the affordable level of FTE in that year. Actual FTE would typically be lower as not all roles are filled

<sup>3</sup> Including the ETS Market Governance tagged contingency

Total Climate Funding (Dept and non Dept) [\$ millions]	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Pre Budget 24	87.586	92.864	96.180	96.230	93.490	378.764
ETS Market Governance tagged contingency		9.437	9.437	9.437	6.000	34.311
<b>Total funding pre Budget 24</b>	<b>87.586</b>	<b>102.301</b>	<b>105.617</b>	<b>105.667</b>	<b>99.490</b>	<b>413.075</b>
Budget 24 savings offered from baseline		(8.577)	(10.707)	(19.619)	(19.646)	(58.550)
Budget 24 savings offered -ETS Market Governance tagged contingency		(9.437)	(9.437)	(9.437)	(6.000)	(34.311)
<b>Total Budget 24 savings offered</b>		<b>(18.014)</b>	<b>(20.144)</b>	<b>(29.056)</b>	<b>(25.646)</b>	<b>(92.861)</b>
OBU 24 changes		2.570	2.691	3.095	2.606	10.962
<b>Post OBU 24 funding (Current )</b>		<b>86.857</b>	<b>88.164</b>	<b>79.706</b>	<b>76.450</b>	<b>331.177</b>
Expected reduction from change process in MBU 2025		(8.579)	(5.417)	(9.053)	(7.401)	(30.450)
<b>MBU 25 final appropriation after change ( Dept and non Dept)</b>	<b>87.586</b>	<b>78.278</b>	<b>82.747</b>	<b>70.653</b>	<b>69.049</b>	<b>300.727</b>
Change from pre-Budget 24 to MBU 25		24.023	22.870	35.014	30.441	112.348
Change %		23.5%	21.7%	33.1%	30.6%	27.2%

5. Any additional savings agreed as part of Budget 25 (not captured in the table at paragraph four) will further reduce the baseline. We are aware of three possible further reductions to the Climate Change appropriations that are within scope and subject to Budget 25 decisions (discussed below): (1) grants and funds; (2) further reprioritisation within the baseline to offset the costs of RM Phase 3 Implementation, and (3) the Baseline Savings Programme.
6. For grants and funds, we have already submitted additional savings of between \$5m (preferred) and \$10m from the Climate Resilience for Māori fund. If accepted, this will reduce what can be delivered through this initiative, as outlined in our Budget submission on 23 December 2024.
7. In terms of further reprioritisation within the baseline, we have been asked to consider further options within the Climate (and Environment) baseline to help offset the cost of the RM Phase 3 Implementation new spending initiative. This could lead to an additional reduction of \$5.8m over four years in the Climate Change appropriations (but is not likely to impact delivery of the Climate Change work programme).
8. Regarding the Baseline Savings Programme, Minister Seymour wrote to you on 4 December 2024 in his capacity as Associate Minister of Finance (Appendix One) outlining his Budget 25 Baseline Savings Programme and seeking a response by 13 February 2025 on what further savings could be offered from the Climate Change portfolio.
9. The significant reduction in Climate Change portfolio FTE and funding that has already been agreed, coupled with the fact that the Climate Change work programme is largely driven by legislative requirements, means there are limited opportunities to deliver further short-term savings without compromising our ability to deliver on your priorities, meet our statutory obligations and manage cost pressures.
10. We have identified \$4.177m of potential additional Climate baseline savings over four years that could be considered, relating to aligning future Climate Change Chief Executive Board funding with current levels, returning funding allocated to the Voluntary Carbon Market (VCM) project, 9(2)(f)(iv) .
11. If the maximum Budget 25 changes above are accepted (\$19.977m over four years), the reduction in Climate Change portfolio appropriations over four years (2024/25 to 2027/28) from pre-Budget 2024 to MBU 2025 will increase from \$112.348m (27 percent) to \$132.325m (32 percent).



- e. **Note** we have been asked to consider further reprioritisation options within the baseline to help offset the cost of the RM Phase 3 Implementation new spending initiative, which could lead to a further reduction of \$5.8m over four years in the Climate Change appropriations but is not likely to impact delivery of the Climate Change work programme
- f. **Note** Minister Seymour has requested you write to him by 13 February 2025 outlining what further savings could be offered from the Climate Change portfolio towards his Budget 25 Baseline Savings Programme
- g. **Note** due to the significant reduction in funding in the Climate Change portfolio that has already been agreed, there are limited opportunities to deliver further short-term savings without compromising the Ministry's ability to deliver on your priorities and our statutory obligations
- h. **Provide direction** on whether you wish to progress the following additional Climate baseline savings through the Baseline Savings Programme, totalling \$4.177m over four years

i. Align future CCIEB funding with current levels – \$2.085m

Yes / No

ii. Return funding allocated to the Voluntary Carbon Market (VCM) project – \$1.972m

Yes / No

iii. 9(2)(f)(iv)

Yes / No

- i. **Note** it may be possible to further rationalise the Climate Change work programme through FTE reductions, generating a further \$1m savings, but we do not recommend progressing this option
- j. **Note** if the maximum Budget 25 savings and reprioritisation outlined in recommendations d, e and h are accepted (\$19.977m over four years), the reduction in Climate Change portfolio appropriations over four years from pre-Budget 2024 to MBU 2025 will increase from \$112.348m (27 percent) to \$132.325m (32 percent)
- k. **Note** the Treasury's Bilateral advice on the Baseline Savings Programme identifies specific focus areas for consideration relating to 9(2)(f)(iv) and we provide advice on these matters in this briefing
- l. 9(2)(f)(iv)

m. **Note** you are meeting with Minister Seymour on 29 January 2025 to discuss his Baseline Savings Programme.

## Signatures

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Sam Buckle

**Deputy Secretary – Climate Change  
Mitigation and Resource Efficiency**

24 January 2025

Hon Simon WATTS

**Minister of Climate Change**

Date

# Climate Change Portfolio Fiscal Strategy

## Purpose

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1. To provide advice and options regarding the fiscal strategy for the Climate Change portfolio for your consideration and direction, ahead of your meeting with Minister Seymour (in his capacity as Associate Minister of Finance) on Wednesday 29 January 2025.

## Background

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2. Through its Fiscal Sustainability Programme, the Government continues to focus on identifying savings and lifting public sector performance and value for money in order to deliver on its policy commitments and address critical cost pressures.
3. The Ministry is committed to supporting these objectives including through implementing the savings agreed through the 2023 Mini Budget and Budget 24; a fiscally neutral rebalancing of the Environment and Climate appropriations through the March Baseline Update (MBU) 2025 to reflect these decisions and the Ministry's restructure; putting forward further savings through Budget 25; and now responding to the Baseline Savings Programme outlined in Minister Seymour's letter to you dated 4 December 2024.

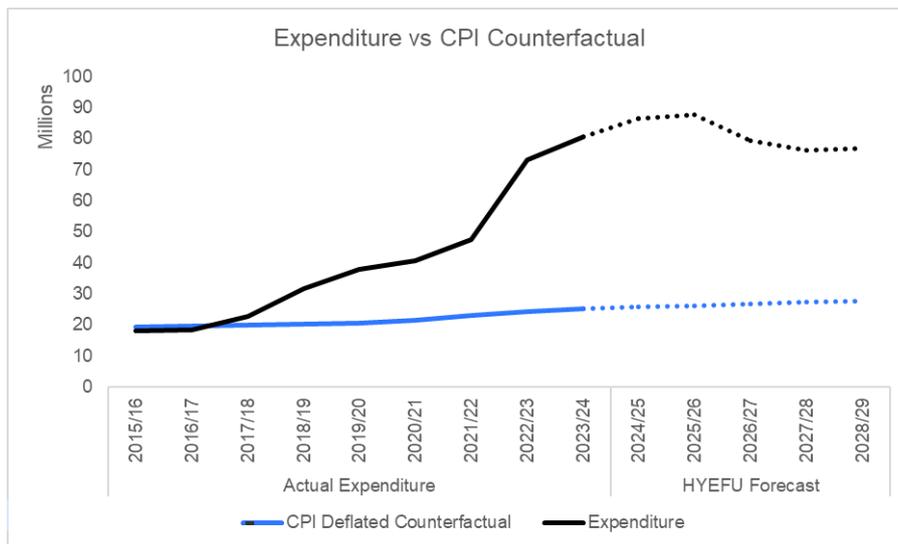
## Analysis and advice

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4. Whilst Climate Change funding within Vote Environment is significantly higher than in 2016/17, it supports a much bigger and more complex climate work programme driven by increased legislative and regulatory responsibilities, more complex machinery of government, and a large programme of policy advice and legislative reform to achieve the Government's priorities for climate change.
5. The cumulative impact of an already declining baseline due to time-limited funding ending coupled with recent Budget 24 decisions has resulted in a significant decline in our overall Climate Change funding from 2024/25 into outyears. Further detail on the drivers of these funding changes and the implications for the Climate Change appropriations and work programme are outlined in the following sections.

## Climate Change funding drivers of growth

6. Total funding for Climate Change in Vote Environment grew significantly from \$19.5m in 2016/17 to \$87.586m in 2023/24. Funded FTE for Climate Change (the Ministry and the Climate Change Chief Executives Board) grew from around 43 FTE in 2016/17 to 250 fundable FTE in 2023/24 (not including Crown Entities FTE).



Source: *The Treasury Bilateral Briefing on Climate Change*

7. The growth in climate change funding over this period is directly correlated to a significant expansion of climate change activities delivered by the Ministry and others. In 2016/17, the Ministry's main climate change responsibilities were limited to preparing the Greenhouse Gas Inventory, reporting against our obligations under the Kyoto protocol, and providing policy advice on the NZ ETS.
8. Since then, the scale and scope of climate change functions and responsibilities delivered through Vote Environment has increased significantly, driven by a range of factors including international cooperation requirements arising from the Paris Agreement; the establishment of new entities (the Climate Change Commission and Climate Change Chief Executives Board); adaptation mandated as a new function (accompanied by an increase in climate-related risk such as severe weather events); an increase in delivery and reporting requirements associated with the Climate Change Response Act 2002 (Appendix Three refers); the Ministry's role as coordinator and system lead for climate change; increases in the size and scale of the NZ ETS and associated work on market governance and auctioning; and a broadening of climate work to leverage private sector action and address natural hazards. More information on these funding drivers is set out in Appendix Four.

## Climate Change appropriations reset

9. The impacts of the Budget 24 savings on appropriations are being recognised in two phases:
  - i. Direct reductions to appropriations made at BEFU 2024; and
  - ii. A fiscally neutral rebalancing between appropriations at MBU 2025 to reflect a rebalancing of staffing across the Ministry following the completion of the change process in November 2024.

## Direct reductions to appropriations through Budget 24

10. Budget 24 returned a total of \$92.861m of savings from Climate Change appropriations over four years (2024/25 to 2027/28). This included \$34.311m in tagged contingency

funding for ETS Market Governance work; and \$58.550m of baseline savings over four years which resulted in reduced funding for:

- i. elements of the Ministry's climate change work programme such as the Carbon Neutral Government Programme, Climate Data Infrastructure, Enabling a Scaled-up High-Quality Voluntary Carbon Market, and the Climate Change Development Fund; and the Climate Resilience for Māori initiative from 2026/27
  - ii. the Climate Change Chief Executives Board (to help achieve the overall 7.5 percent savings target); and the Commission (by returning funding previously provided and not yet committed to establish an agricultural emissions pricing advisory function, and a further baseline funding reduction from 2025/26 to help achieve the overall 7.5 percent savings target).
11. Climate Change FTE (Ministry and Climate Change Chief Executives Board) decline 9(2)(f)(iv) to an expected 9(2)(f)(iv) FTE in 2027/28.<sup>4</sup> (This does not include FTE for the EPA and the Commission).
  12. Much of the climate change work programme is driven by statutory requirements, meaning these savings have significantly reduced our ability to work on discretionary activities. As discussed in our report on the 2024/25 work programme (BRF-4955 refers), our reduced resourcing has required the scaling and deferral of several projects, including the Carbon Neutral Government Programme, work on voluntary carbon markets, progressing the implementation of the national adaptation plan actions, and work on a sustainable finance taxonomy.
  13. The Vote Environment Performance Plan (BRF-5548 refers) also highlighted several cost pressures that will need to be managed within our baseline in the coming years, which will be challenging and will largely exhaust future savings options.
  14. There are particular pressures relating to the Crown Entities funded within Vote Environment. The EPA is not fiscally sustainable on its current trajectory and this may be exacerbated by new responsibilities including fast-track approvals and gene tech regulation. Further savings would impact the EPA's ability to undertake core ETS functions, which are key to achieving the Government's climate strategy. The Commission anticipates it could face significant cost pressures in future years (e.g., additional unfunded requests for advice, legal challenge etc) and has said it will only be able to manage existing cost pressures through further FTE reductions.

### **Fiscally neutral rebalancing between appropriations at MBU 2025**

15. We are proposing technical adjustments to the Environment and Climate appropriations through MBU 2025 to give effect to Budget 24 decisions and the new Ministry structure which took effect on 1 November 2024. This will rebalance the Climate Change and Environment departmental output appropriations in the current and outyears to reflect where staffing and costs now sit, as set out in the table below. These changes do not affect your current work programme.

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<sup>4</sup> Consists of FTE funded by Climate and IEB departmental appropriations. Excludes EPA and CCC.

Climate Change Dept Appropriation (\$m)	FY25	FY26	FY27	FY28	FY29
Pre-restructure Appropriations	52.161	51.966	53.341	50.327	51.046
Revised spending profile	43.582	46.549	44.288	42.926	43.989
<b>Appropriation adjustment increase/(decrease)</b>	<b>(8.579)</b>	<b>(5.417)</b>	<b>(9.053)</b>	<b>(7.401)</b>	<b>(7.057)</b>

Climate Change Chief Executives Board Dept Appropriation (\$m)	FY25	FY26	FY27	FY28	FY29
Pre-restructure Appropriations	3.435	3.562	4.329	4.310	4.363
Revised spending profile	3.534	3.592	3.796	3.882	3.990
<b>Appropriation adjustment increase / (decrease)</b>	<b>0.099</b>	<b>0.030</b>	<b>(0.533)</b>	<b>(0.428)</b>	<b>(0.373)</b>

16. The table below shows the total Climate Change appropriation changes from pre-Budget 2024 to the expected MBU 2025 appropriations, considering the proposed baseline adjustments. We anticipate an average reduction of 27 percent (\$112.348m) over four years in the total Climate baseline for MBU 2025 compared to the pre-Budget 2024 baseline.
17. We will give you further advice on this through the MBU 2025 process, once the Treasury has issued its guidance.

Total Climate Funding (Dept and non Dept) [\$ millions]	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Pre Budget 24	87.586	92.864	96.180	96.230	93.490	378.764
ETS Market Governance tagged contingency		9.437	9.437	9.437	6.000	34.311
<b>Total funding pre Budget 24</b>	<b>87.586</b>	<b>102.301</b>	<b>105.617</b>	<b>105.667</b>	<b>99.490</b>	<b>413.075</b>
Budget 24 savings offered from baseline		(8.577)	(10.707)	(19.619)	(19.646)	(58.550)
Budget 24 savings offered -ETS Market Governance tagged contingency		(9.437)	(9.437)	(9.437)	(6.000)	(34.311)
<b>Total Budget 24 savings offered</b>		<b>(18.014)</b>	<b>(20.144)</b>	<b>(29.056)</b>	<b>(25.646)</b>	<b>(92.861)</b>
OBU 24 changes		2.570	2.691	3.095	2.606	10.962
<b>Post OBU 24 funding (Current)</b>		<b>86.857</b>	<b>88.164</b>	<b>79.706</b>	<b>76.450</b>	<b>331.177</b>
Expected reduction from change process in MBU 2025		(8.579)	(5.417)	(9.053)	(7.401)	(30.450)
<b>MBU 25 final appropriation after change ( Dept and non Dept)</b>	<b>87.586</b>	<b>78.278</b>	<b>82.747</b>	<b>70.653</b>	<b>69.049</b>	<b>300.727</b>
Change from pre-Budget 24 to MBU 25		24.023	22.870	35.014	30.441	112.348
Change %		23.5%	21.7%	33.1%	30.6%	27.2%

## Budget 25 Savings

18. Any additional savings agreed as part of Budget 25 will further reduce the baseline. We are aware of three possible further reductions to the Climate Change appropriations that are subject to Budget 25 decisions:
- Savings options from grants and funds* – we have already submitted additional Climate Change portfolio savings options of between \$5m (preferred) and \$10m from the Climate Resilience for Māori fund, as part of the Budget 25 savings exercise relating to Grants and Funds (BRF-5672 refers)

- ii. *Reprioritisation within the baseline to fund RM Phase 3 Implementation new spending initiative* – we have been asked to consider further reprioritisation options within the Climate and Environment baseline to help offset the cost of the RM Phase 3 Implementation new spending initiative. This could lead to a further reduction of \$5.800m over four years in the Climate Change appropriations but is not likely to impact delivery of the Climate Change work programme.
  - iii. *Baseline Savings Programme* – Minister Seymour wrote to you on 4 December 2024 in his capacity as Associate Minister of Finance outlining his Budget 25 Baseline Savings Programme and seeking a response by 13 February 2025 on what further savings could be offered from the Climate Change portfolio. We have identified \$4.177m of potential additional Climate baseline savings over four years that could be considered. This is discussed further below.
19. If the maximum Budget 25 changes above are accepted (\$19.977m over four years), the reduction in Climate Change portfolio appropriations over four years from pre-Budget 2024 to MBU 2025 will increase from \$112.348m (27 percent) to 132.325m (32 percent).

### **Baseline Savings Programme – options**

20. On 4 December 2024, you received a letter from Minister Seymour (Appendix One) advising that the Climate Change portfolio is in scope of a separate Budget 25 Baseline Savings Programme. Following this, we received further information from the Treasury about where Minister Seymour is likely to want to focus (Appendix Two), including that “Before Budget 2026, Ministers could consider the role of MFE, and other agencies, within the Government’s overarching approach to mitigation and adaptation, and whether resourcing is appropriately allocated”. They identified four focus areas:

- i. 9(2)(f)(iv)

21. In response to these points, the Ministry has carried out an exercise to identify further potential savings initiatives that could be progressed through Budget 2025. For this exercise, we have focussed on changes that are achievable in the short term given our current statutory requirements and legislative settings. Given the recent change process at the Ministry (which is yet to be fully implemented), we have also prioritised changes that would not require further FTE reductions or organisation redesign.

### Additional potential savings that could be achieved without further FTE reductions

22. The significant reduction in Climate Change portfolio FTE and funding that has already been agreed, coupled with the fact that the Climate Change work programme is largely driven by legislative requirements, means there are limited opportunities to deliver further short-term savings without compromising our ability to deliver on your priorities, meet our statutory obligations, and manage cost pressures.
23. The table below summarises the initiatives and potential savings that could be realised without further FTE reductions and structural change. If these were all implemented, they would provide further savings of \$4.177m, with implications for the work programme. We seek your feedback on which of these you would like to submit as savings, if any, on 13 February 2025.

#	Description	Total savings (25/26 – 28/29)
1.	<p><b>Align future CCIEB funding with current levels</b> (CERF funding) – Budget 2024 returned \$1.395m of funding for the CCIEB over two years (2024/25 and 2025/26). This has had a significant impact on IEB resourcing but the work programme/resourcing has been adapted to match this funding for these FYs. This resource reduction could be extended to 2026/27 onwards.</p> <p>Note if this option progresses, it will impact the changes proposed at MBU 2025.</p>	\$2.085m
2.	<p><b>Return funding allocated for the Voluntary Carbon Market (VCM) project</b> (CERF funding) – the Ministry previously received funding to progress its VCM work. Some of this funding was returned in Budget 2024; \$1.972m funding remains. Given our resource constraints, our current plan is to commission a private provider to progress this work using this funding. This funding could also progress other priority work identified in the sustainable finance strategy.</p> <p>If the funding were returned, the VCM project would need to be progressed internally. Due to other priorities, this would mean work on the VCM project would need to be deferred until 2026, potentially delaying efforts to mobilise private finance to meet decarbonisation goals.</p>	\$1.972m
3.	9(2)(f)(iv)	
	<b>TOTAL</b>	<b>\$4.177m</b>

**Savings that would require further FTE reductions to realise**

24. A further \$1.000m in savings could be achieved by further reducing climate change staff numbers. This would require further rationalisation of your work programme as the Ministry would not be able to progress all your priorities if staffing fell further. 9(2)(f)(iv)

[Redacted]

25. 9(2)(f)(iv)

[Redacted]

**Other matters raised in the Treasury bilateral briefing**

9(2)(f)(iv)

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

31. 9(2)(f)(iv)

[Redacted]

[Redacted]

9(2)(f)(iv)

[Redacted]

9(2)(f)(iv)

[Redacted]

37. 9(2)(f)(iv)

9(2)(f)(iv)

an alternative to it.

### Budget 26 savings and beyond

40. The above exercise did not consider changes that would require significant legislative or institutional reform, which are more complex and will take time to develop and would be unlikely to result in any savings until Budget 2026 or later. 9(2)(f)(iv)

41. 9(2)(f)(iv)

9(2)(f)(iv)

ii. 9(2)(f)(iv)

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

**Other considerations**

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46. 9(2)(f)(iv)

[Redacted text block]

[Redacted text block]

[Redacted text block]

## Next steps

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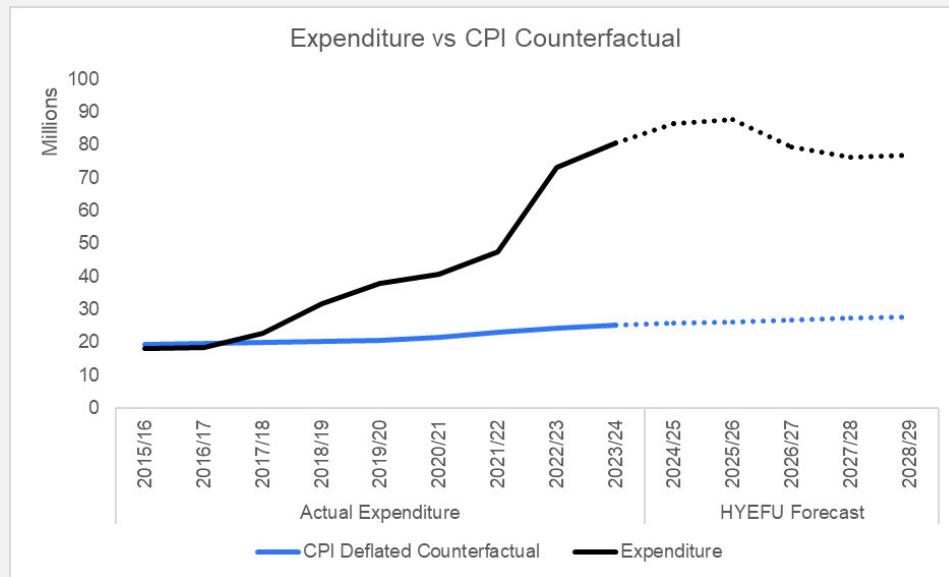
49. Officials are available to discuss this report with you on 28 January 2025 and can provide updated talking points following this to support your meeting with Minister Seymour on 29 January 2025.
50. Following your direction, we will provide further advice including to finalise your formal response to the Baseline Savings Programme, which is due to Minister Seymour by 1pm on 13 February 2025.

# CLIMATE CHANGE

## HISTORICAL EXPENDITURE AND WIDER BUDGET 2025 INVOLVEMENT

### EXPENDITURE GROWTH

Since 2016/17 there has been a \$54m increase in annual expenditure within the gross base for Climate Change. This growth, mapped against CPI growth, is presented below.



### KEY DRIVERS OF GROWTH

- **New climate change responsibilities** – MfE has gained several new responsibilities since 2016/17, including statutory responsibilities under the Climate Change Response Act 2002 (CCRA) and functions associated with monitoring the Climate Change Commission (CCC).
- **Climate Change Commission establishment (2019)** – funding has increased as functions and responsibilities established, including some time-limited funding. Annual funding is set to stabilise at \$14.9m p.a. from 2026/27.
- **Climate Emergency Response Fund (CERF) established (2022)** – MfE received funding for several climate change initiatives, with approximately \$131m allocated at Budgets 2022 and 2023 over the relevant forecast periods. Budget 2024 saw funding for some of these initiatives returned.

### HEADLINE FIGURES

**\$80m**  
GROSS BASE\*

**\$54m**  
GROWTH\*\*

### BUDGET 2024 SAVINGS

**B24 Savings and Revenue**

\$51.106m total operating + \$34.3m return of tagged contingency funding + savings from Vote Environment more broadly.

### INVOLVEMENT IN OTHER PROCESSES

**B25 Grants and Funds Review invitations**

Review and provide savings options of up to \$2.50m p.a.

\* the gross base excludes expenditure captured by our exclusions policy e.g. Permanent Legislative Authority, Benefits or Related Expenses, Non-Departmental Capital, etc. The gross base includes invited grants and funds.

\*\* this growth figure is calculated based on appropriation values – comparing the HYEFU average outyear numbers (25/26 -28/29) to the CPI counterfactual for 2025/26 only.

# CLIMATE CHANGE

## PROMPTS FOR INITIAL ENGAGEMENTS – SAVINGS OPTIONS

### POTENTIAL AREAS TO CONSIDER FOR SAVINGS

**Context:** MfE has a central role to play in providing effective system leadership in responding to climate change. However, MfE's resourcing for climate change has increased considerably, and we observe an imbalance with other departments, some of which hold important levers or responsibilities. The Independent Rapid Review at Budget 2024 recommended reviewing the efficiency and cost-effectiveness of MfE's climate change responsibilities, including MfE's coordination of public sector climate change responses. 9(2)(f)(iv)

[Redacted text]

We suggest you focus your conversation in four key areas:

**1.** 9(2)(f)(iv)

[Redacted text]

- [Redacted text]
- [Redacted text]
- [Redacted text]

**2.** 9(2)(f)(iv)

[Redacted text]

[Redacted text]

[Redacted text]

### CONSIDERATIONS

- **Delivery risks** – MfE has recently completed the first phase of a significant restructure, with further reductions in FTE planned over the forecast period (9(2)(f)(iv) FTE between 2024/25 and 2026/27). Any further reductions need to be carefully considered to manage impacts on the delivery of MfE's core priorities, their system leadership role, and legislative obligations (including those under the CCRA).
- **Government Target 9** – the Ministry is the lead agency for delivery of Target 9. Funding reductions would need to be carefully considered to avoid risking delivery of this target.
- **Emissions Trading Scheme Appropriation** - \$6.8m p.a. of funding within the portfolio is for the Environmental Protection Authority's (EPA) implementation and operation of the ETS (including maintenance of the ETS register). The EPA is not fiscally sustainable on its current trajectory. The performance and credibility of the ETS is a key pillar of the Government's climate strategy. Any savings impacting this funding would impact the EPA's ability to undertake core ETS functions.
- **Climate Change Commission** - Further reductions in CCC resources may present trade-offs in terms of the quality, scope, and depth of the advice. In the Performance Plan, the CCC has said it will only be able to manage existing cost pressures through FTE reductions.

## 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)	<p>In response to each national climate change risk assessment (NCCRA) a national adaptation plan must be prepared.</p>

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

## Appendix 4: More detailed information on Climate Change portfolio funding increases

The increases in the funding of the climate change portfolio can be categorised into two tranches:

1. **2017/18 to 2021/22:** increased funding during this period was to put in place new architecture which included establishing the Zero Carbon framework, and to begin implementation. This included work to:
  - develop the Zero Carbon Bill and 2050 emissions reduction target, and service the operational requirements introduced by the Zero Carbon Act (Appendix Three)
  - establish and scale up the Climate Change Commission (the Commission) and monitor and respond to its recommendations
  - initiate policy for Climate Adaptation Legislation
  - set up and manage the ETS Auction, and advise on the NZ ETS and market governance
  - establish and implement the Carbon Neutral Government Programme
  - set domestic emissions budgets and international climate change targets
  - develop the Emissions Reduction Plan and National Adaptation Plan
2. **2022/23 to 2023/24:** a mix of additional ongoing and time-limited funding was provided to further increase the scope of the climate work programme to:
  - strengthen the effective functioning of the Emissions Trading Scheme
  - begin implementation of the National Adaptation Plan
  - establish and continue to resource the Climate Change Chief Executives Board
  - support the newly established Climate Related Disclosures regime
  - develop Climate Data Infrastructure to ensure climate data accessibility and more informed decision making
  - support Equitable Transitions and Climate Resilience for Māori through funding Kaupapa Māori, Tangata Māori initiatives and partnerships to support community climate action.
  - deliver New Zealand's international climate change target through offshore mitigation
  - undertake research into carbon sequestration in soils to address gaps in our GHG inventory reporting
  - develop and deliver Climate Adaptation Legislation
  - design a scaled-up, high quality Voluntary Carbon Market.



## Briefing: Potential options for NZGIF funds

Date submitted: 03/02/2025

Tracking number: BRF-5797

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Simon WATTS <b>Minister of Climate Change</b>	<b>Agree</b> to write to the Minister of Finance submitting a late Budget bid. <b>Indicate</b> your preferences for a Budget bid. <b>Forward</b> this briefing to the Minister of Finance.	10 February 2025

Actions for Minister's office staff
<b>Return</b> the signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ).

Appendices and attachments
<ol style="list-style-type: none"> <li>Appendix 1: Options to address systemic gaps to mobilise private finance</li> <li>Appendix 2: Illustrative examples of climate-related initiatives that could be directly funded</li> <li>Appendix 3: Initiatives evaluated but not advanced</li> </ol>

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Warwick Oliver		
Responsible Manager	Rebecca Clements	9(2)(a)	
General Manager	Mark Vink	0211762243	✓

Minister's comments

Appendix 2 is withheld in full under section 9(2)(f)(iv) of the Act to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.

# Options for NZGIF funds

## Key messages

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1. 9(2)(b)(ii) [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] The Treasury will provide further advice on this on 25 February 2025.
2. This briefing provides initial advice on potential options for the use of any recovered funds, as requested. Given the tight timelines for Budget 25, we also have provided advice on the process to initiate a bid for funds in Budget 25. We seek your early direction on:
  - i whether to initiate the process to bid for any recovered funds in Budget 25, and if this is accepted,
  - ii options for use of any recovered funds, which could be sought at Budget 25.

**If a decision is made to disestablish NZGIF and funds are available, we recommend that you seek funding for your preferred initiative(s) at Budget 25.**

3. If NZGIF is disestablished and you wished to seek any available funds for climate-related purposes, you will need to send a letter to the Minister of Finance as soon as possible outlining your intentions and request a late entry into the budget process. In this letter you can outline your desire to seek the use of these funds at Budget 25, either for a specific initiative(s) or for a yet to be determined climate project. Greater specificity will improve the chances of a bid being accepted into Budget 25.
4. We recommend that you seek to submit a late Budget 25 bid for any available recovered funds from a wind up of NZGIF. An announcement that recovered funding is being put towards climate initiatives at Budget 25 alongside any announcement regarding NZGIF's disestablishment could help to mitigate negative market reactions and thereby support the Government's objective of supporting credible markets.

### **There are a range of options for redeploying the funds to support climate outcomes**

5. The core decision is whether to seek to apply the funding to an initiative that looks to replicate the most effective functions of a green public investment vehicle, and/or whether to directly apply the funding to specific climate initiatives (both options may ultimately sit outside the climate portfolio).
6. There are potential benefits to using the funding to replicate effective functions of a green investment vehicle. Namely, to address market gaps found in the NZGIF review that sometimes prevent potentially high-impact climate-related initiatives across various sectors from securing finance. In addition to helping achieve climate objectives, addressing these gaps would help to stimulate productive private investment (foreign and domestic) with associated wider benefits to economic performance.

7. Potential initiatives could include a guarantee scheme, a new public-private fund, or 9(2)(f)(iv) [REDACTED]. All of these options will require additional work to understand feasibility and application.
8. Alternatively, the funds could be directly deployed by Ministers to specific climate-related outcomes. Initiatives that involve partnering with the private sector or other non-government actors are likely to be more consistent with the government's cost-effective climate strategy, as opposed to Government-only initiatives.
9. Financing instruments can support efficient investment markets and cost-effective net emissions reductions. While over the long-term there may not be direct impacts on overall emissions in sectors covered by the ETS, these initiatives are likely to reduce the cost of achieving our targets and support a least-cost approach. These initiatives can also help meet emissions targets or budgets in the short and medium term.<sup>1</sup> Furthermore, by tightening the ETS cap in the future and therefore NZU supply, the government could manage the longer-term risk of the initiative freeing up NZUs for use by other ETS participants.
10. We have undertaken a rapid desktop review that has identified several immediately fundable initiatives that would potentially have strong climate benefits and wider benefits. These include putting funding towards incentives to reduce agricultural emissions, encouraging uptake of rooftop solar, supporting afforestation on Crown land, or topping up programmes for EV chargers. Of these, the initiative that is most immediately ready for funding is EV car chargers.
11. A number of the options presented sit outside the climate change portfolio so if you are interested in pursuing these options we recommend early discussions with relevant colleagues, noting that many of the more promising options sit within your Energy portfolio.
12. The advantage of putting money towards more developed initiatives is that they can be designed and implemented more quickly. An additional benefit is that future communications can speak clearly to the benefits and outcomes of such initiatives.

## Recommendations

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- a. **Note** to be invited into the budget process you will need to write a letter to the Minister of Finance outlining the initiative for which you are seeking funding as soon as possible.
- b. **Note** there are benefits to announcing a tangible initiative that supports climate outcomes and replaces some of NZGIFs functions in the market at the time of any announcement about the future of NZGIF.
- c. **Agree** to write to the Minister of Finance to seek an invitation to submit a late budget bid for Budget 25.

Yes | No

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<sup>1</sup> In the short run, emitters adding more units to, or drawing more units from, the stockpile is a more likely response to a non-ETS policy than changes to their planned emissions trajectories.

- d. **Indicate** to officials your early preferences for that budget bid, particularly whether you would like to seek to use recovered funds for an initiative that looks to replicate some of the functionality of a green public investment vehicle, or whether to apply the funding to wider climate outcomes (or a mix of both).

**Options to replicate some functionality**

Government Guarantee Scheme	Yes   No
Public-Private Fund	Yes   No
9(2)(f)(iv) [Redacted]	Yes   No

**Wider climate outcomes**

Afforestation on Crown-owned land	Yes   No
EV Charging Infrastructure	Yes   No
Rooftop solar	Yes   No
Supporting agricultural mitigation uptake	Yes   No

- e. **Indicate** to officials any other initiatives you would like to be considered as options.
- f. **Note** that if you agree to seek an invite to Budget 25, officials will provide more detailed advice on your preferred initiatives alongside Treasury’s advice on the 25 February 2025.
- g. **Agree** to forward this briefing to the Minister of Finance.

Yes | No

**Signatures**

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Mark Vink  
 Executive Director  
**Markets**

31 January 2025

Hon Simon WATTS  
**Minister of Climate Change**

**Date**

# Options for NZGIF funds

## Purpose

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13. This advice responds to the second part of your request for advice regarding further information on options for the potential unwind of NZGIF, 9(2)(b)(ii)

[Redacted]

## Background

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14. Towards the end of November, SolarZero was put under voluntary liquidation, which could result in a significant loss of NZGIF's funds lent to the NZGIF Solar Finance programme. On 5 December you and the Minister of Finance met with the Chair of NZGIF to discuss recent events. 9(2)(b)(ii)

[Redacted]

[Redacted] potential use of any recovered funds.

## Analysis and advice

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9(2)(b)(ii) [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

**We recommend that you seek to submit a budget bid to use all or some funds to support climate objectives.**

19. The announcement of the disestablishment of NZGIF would likely have an overall negative impact on the climate investment market. Some actors may perceive the action

as a demonstration of Government intent in this space, react negatively to the loss of an investor within the market, and / or perceive an increase in political risk. There may also be some positive reactions, mainly from organisations that saw NZGIF as operating in areas with sufficient finance or as crowding out private sector action.

20. These negative impacts may be mitigated 9(2)(b)(ii)

[Redacted]

[Redacted]

22. Given the limited time until Budget 25, proposals will need to be developed quickly. 9(2)(b)(iii)

[Redacted]

This may still help alleviate concerns that the Government is withdrawing support from climate investment markets.

23. 9(2)(f)(iv)

[Redacted]

**There is a choice as to what the funds could be used for, if you seek these funds for climate priorities.**

24. If you choose to seek funds for climate priorities, an overall judgement is whether to seek to apply the funding to address systemic finance gaps and barriers to the mobilisation of additional private finance, that is, addressing general market gaps; or whether to seek to directly apply the funding towards discrete funding projects.
25. These are not mutually exclusive options, and you could seek to do both, although there may be constraints to what a minimum viable investment size may be for various initiatives. There are also overlaps between these categories in that a number of discrete projects may also address market gaps to some extent.

**You could seek to address systemic gaps and barriers to the additional mobilisation of private finance...**

26. The review of NZGIF identified ongoing gaps in the marketplace that are preventing some climate-related initiatives obtaining efficient financing. A common underlying factor across these remaining financing gaps appeared to be perceived risk. The existence of these gaps provides a rationale for retaining some of functionality that was intended to be provided by NZGIF (i.e. derisking investments). The advantage of this approach is that it is generally technology or sector agnostic relying on market forces to dictate the flow finance, while ensuring that that additional finance flows to areas of the innovation chain and capital stack.

27. Such an approach also aligns strongly with two pillars of the Government's climate strategy, namely making sure credible markets support the climate transition and world-leading climate innovation boosts the economy. There are also wider economic benefits in line with the Prime Minister's recent announcement which focuses on attracting international investment, and benefits for efforts to deepen capital markets.
28. Leaving these specific gaps unresolved could result in novel decarbonisation firms being unable to secure the financing they need to mature or being starved of timely financing and having difficulties achieving scale. These gaps potentially slow the general pace of decarbonisation as solutions and unique business models take longer to be impactful, while also potentially slowing economic growth and limiting investment opportunities.
29. Initiatives we have proposed focus on mitigating market gaps by leveraging greater private sector investment in these areas, either directly through co-investment and / or by addressing the causes of market gaps i.e. perceived risk. These initiatives are likely to have greater decarbonisation impact for associated fiscal costs, but these gains might be seen more indirectly over a longer time frame.
30. Options with a narrower focus (Guarantees and 9(2)(f)(iv) ) will be unlikely to replace all of NZGIF's intended functions. For example, operating as an anchor investor for inward international investment or the ability of NZGIF to act as an intermediary within the marketplace, but will still encourage additional private investment by addressing specific gaps and allow the Government to recycle capital.
31. Options to address systemic gaps and barriers to the additional mobilisation of private finance are outlined in appendix 1. 9(2)(f)(iv) Given uncertainty related to NZGIF and its role in the investment landscape, the options in this category may take longer to design and implement than the options in appendix 2.
32. 9(2)(f)(iv)

**... or you could seek to direct funding towards specific climate-related outcomes.**

34. The funds could also be directed towards specific climate-related outcomes. The initiatives that involve partnering with the private sector or other non-government actors are likely to be more consistent with the government's cost-effective climate strategy.
35. We have identified several promising initiatives that would be immediately fundable. These include putting funding towards encouraging uptake agricultural emissions mitigation technologies, encouraging uptake of batteries for rooftop solar, supporting the afforestation of Crown-owned land policy or topping up programmes for EV chargers.
36. Of these, the most immediately ready for funding would be further funding for EV car chargers.

37. We also considered other areas but decided not to advance these options for a variety of reasons, outlined in appendix 3. These initiatives include 9(2)(b)(ii) connection assets, 9(2)(f)(iv), and industrial electrification.
38. A number of these options also sit outside the climate change portfolio so if you are interested in pursuing these options, we recommend early discussions with relevant colleagues (noting that a number of the more promising options sit within your portfolio as Minister of Energy).
39. There is a timing advantage to contributing the money towards initiatives or projects that are more developed in that there is less work needed to design a programme before implementation. An announcement regarding what the recovered NZGIF funds are to be used for would be able to be more specific in this case.
40. Appendix 2 provides examples of initiatives that could be funded.

## **Te Tiriti analysis**

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41. No Tiriti issues are associated with the proposals in this briefing

## **Other considerations**

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### **Consultation and engagement**

42. The Treasury has been extensively consulted on this briefing. Individual initiatives have been discussed internally within the Ministry for the Environment, as well as with the Ministry for Business, Innovation and Employment and the Ministry for Primary Industries. However, this has been done in a limited manner due to commercial and budget sensitivity.

### **Risks and mitigations**

43. No risks are associated with the proposals in this briefing.

### **Legal issues**

44. No legal issues are associated with the proposals in this briefing.

### **Financial, regulatory and legislative implications**

45. No financial, regulatory, or legislative implications are associated with the proposals in this briefing.

## **Next steps**

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46. We seek your direction on whether to seek funding through Budget 25, whether the funds will be used to replicate some of the functionality of a green public investment vehicle, and/or whether you wish to apply for funds to support wider climate outcomes.

47. If you wish to use the funds to replicate some of the functionality of a green public investment vehicle, we will provide you with more detailed advice on the design of a potential initiative and what to include in a letter to the Minister of Finance.
48. If you wish to apply the funds towards more general climate outcomes, we recommend you discuss this option with colleagues whose portfolios the funding might sit within. We would also discuss the possibilities with officials in relevant policy areas. Our early discussions have been of a general nature in the light of the commercial sensitivity associated with this project.

## Appendix 1: Options to address systemic gaps and barrier to the additional mobilisation of private finance

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### Government guarantee scheme

49. A Government guarantee scheme would target specific gaps highlighted in the strategic review of NZGIF. This scheme could, in a basic sense, act as insurance on a specified type of investment or pool of investments. This would potentially allow an investor, that might only normally take on or only be able to take on lower-risk investments, to invest more in a particular entity or to invest in higher risk areas due to the Government guarantee reducing their loss in the event of default.
50. A number of private finance institutions have highlighted guarantees as a potentially effective tool to mobilise private finance during our engagement for the NZGIF review. This has also been highlighted in the engagement for the Sustainable Finance Strategy. While this in itself is not an indication of demand or viability, the combination of interest from the private sector and the de-risking nature of guarantee aligning with perceived marketplace issues could make a scheme worth exploring.
51. Such an approach also has the benefit of allowing the Government to recycle capital, allowing multiple instances of investment, as well as potentially increasing inward foreign investment and providing economic co-benefits. Government guarantees are common practice in global financial markets and New Zealand has utilised them in the past, for example, the New Zealand Export Credit Office offers guarantees under a variety of circumstances.
52. Unless the guarantee is triggered, the cost of the scheme is materially smaller than the cost of directly deploying capital. However, a guarantee does have a cost and would have to be recognized on the Treasury balance sheet. A guarantee normally specifies some criteria under which the lending entity can operate (in order to ensure a minimum credit quality of a borrower) in order to manage risk for the Government.
53. Under legislation its current form, a guarantee scheme would be at the discretion of the Minister of Finance, needing to meet a number of conditions. Work would need to be done to understand if situation would be appropriate. Officials would also need to undertake additional work to determine the most effective structure for such a scheme, including positioning and demand within the marketplace, looking to manage potential moral hazard, and undue exposure to the Crown.

### A public-private financing vehicle

54. A public-private financing vehicle as a replacement to NZGIF could instead involve the New Zealand Government only investing alongside private sector investors, likely as a guarantor or taking a first loss position, to stand up a new fund targeted at low-emissions investment and / or infrastructure. A key difference with this approach would be to operate in partnership with larger, experienced, and skilled private financial actors. Commitment to co-investment would be secured upfront, negating some of the concern of crowding out private investment, while the Government guarantee would encourage finance to flow into areas currently perceived as higher risk, as noted in the review. These approaches would additionally bring higher potential to recycle government funds.

- 55. This is not an uncommon approach globally. For example, the Danish Government recently entered into a public-private partnership with four pension funds, in which the Danish Government signed a DKK \$535m (NZD \$130m) guarantee to leverage DKK \$2.6bn (NZD \$640m) of private funding with a final goal commitment of DKK \$5bn (NZD \$1.23bn).
- 56. Such an approach would depend on market conditions, market appetite and the terms of any agreement. There would also likely be lengthy lead times to set up and determine terms for such a financing vehicle.
- 57. The benefit of a public-private financing vehicle over other non-fund-based options mentioned in this section is the flexibility to deploy a wider range of financial instruments thereby allowing for more efficient use of capital to achieve results. However, a fund relies on being well positioned within the marketplace and being effectively managed to be successful.
- 58. Wider benefits of utilising a fund include the existence of an anchor investor operating within the marketplace, the benefits of a dedicated and informed investor as an intermediary, and any desired future flexibility regarding NDC offsetting.

9(2)(f)(iv)

[Redacted text block]

**Other considerations**

- 62. In addition to the above options, we considered but do not recommend the following options at this stage:
  - A) Utilising an alternative public fund manager, 9(2)(b)(ii)
  - B) Tax credits (unintended consequences and inconsistency with NZ’s tax policy framework)
  - C) 9(2)(b)(ii)
- 63. We choose not to advance these initiatives either due to the relative cost of some of the above initiatives and / or the potential for the same outcome through more effective mechanisms.

64. 9(2)(b)(ii)

[Redacted text block]



**Appendix 3: Initiatives evaluated but not advanced**

Initiative	Reason
9(2)(b)(ii)	[Redacted]
Connection Assets	While connection assets are a barrier for industrial electrification projects, we have been advised that the Electricity Authority is currently consulting on regulatory changes to alleviate this issue. Given this, we advise that any interest in this area wait until the outcome of the consultation is known and any potential changes 'bed down' before evaluating funding needs.
9(2)(b)(ii)	[Redacted]



## Briefing: Estimates documents for final approval

**Date submitted:** 10 April 2025

**Tracking number:** BRF-5834

**Sub Security level:** CLASSIFICATION

**MfE priority:** Urgent

Actions sought from Ministers		
<i>Name and position</i>	<i>Action sought</i>	<i>Response by</i>
To Hon Penny SIMMONDS <b>Minister for the Environment</b>	Approve, Sign and forward attached documents and letters	By 1 pm on Tuesday 15 April 2025
CC Hon Chris BISHOP <b>Minister Responsible for RMA Reform</b>	For information only	
CC Hon Andrew Hoggard <b>Associate Minister for the Environment</b>	For information only	

Actions for Minister's office staff
<b>Forward</b> the attached documents, along with signed copies of the letters to the Minister of Finance's office by 1 pm on Tuesday 15 April 2025.
<b>Return</b> the signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ).

Appendices and attachments
<ol style="list-style-type: none"><li>1. New/Significant Initiatives for Vote Environment – for information only</li><li>2. Estimates of Appropriations 2025/26</li><li>3. Supplementary Estimates of Appropriations 2024/25</li><li>4. Changes to performance measures in the Supplementary Estimates and Estimates for Environment related appropriations</li><li>5. Changes to performance measures in the Supplementary Estimates and Estimates for Climate Change related appropriations</li><li>6. Ministerial Certification Letters for signing<ul style="list-style-type: none"><li>- Estimates of Appropriations 2025/26</li><li>- Supplementary Estimates of Appropriations 2024/25</li></ul></li><li>7. Signed Certification Letters from the Ministry's Chief Executive<ul style="list-style-type: none"><li>- Estimates of Appropriations 2025/26</li><li>- Supplementary Estimates of Appropriations 2024/25</li></ul></li><li>8. Specific Fiscal Risks document – for information only</li></ol>

<b>Key contacts at Ministry for the Environment</b>			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Mukesh Vakharia	9(2)(a) [REDACTED]	
Responsible Manager	Amanda Thompson	9(2)(a) [REDACTED]	
General Manager	Kathleen Mackie	027 2477 783	✓

<b>Minister's comments</b>

Appendix 2 is refused under section 18(d) of the Act as it is already publicly available at: <https://www.budget.govt.nz/budget/pdfs/estimates/v8/est25-v8-envir.pdf>

Appendix 3 is refused under section 18(d) of the Act as it is already publicly available at: <https://www.budget.govt.nz/budget/pdfs/suppestimates/suppest25envir.pdf>

# Estimates documents for final approval

## Key messages

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1. This briefing seeks your approval for Vote Environment, Estimates documents, including the 2024/25 Supplementary Estimates and 2025/26 Estimates that you are responsible for. These documents are also forwarded to Minister Watts for his approval as he is responsible for the Climate Change related appropriations.
2. The Estimates are a core part of the Budget and accountability cycle. Estimates documents describe your intentions and spending plans for next year (2025/26). The Supplementary Estimates describe changes in 2024/25 and the reasons for them.
3. These documents are the public record of decisions made through Baseline Updates and decisions on budget initiatives. They provide the first opportunity for Parliament and the public to scrutinise your spending plans for 2025/26 and form the basis of the Select Committee Estimates review.
4. Sign-off turnaround times are tight and driven by the broader budget process. Consequently, we are submitting final documents for your approval.
5. The Estimates documents contain information on financial and non-financial performance.
6. Financial information is based on changes previously agreed during the Baseline Updates process and as a result of other funding decisions. The financial sections provide the significant reasons and explanations for funding changes between the original Budgets and the Supplementary Estimates, as well as the key differences between the Supplementary Estimates for 2024/25 and the Estimates for 2025/26.
7. Because of the tight timeframe at Budget 24, changes to non-financial performance measures for significant initiatives were not included in the Estimates 2024/25 documents. Where appropriate, additional performance measures have been included in the Supplementary Estimates 2024/25 to meet requirements.
8. Changes are summarised in Appendix 4 for appropriations that you are the appropriation Minister for, and in Appendix 5 for appropriations that are the responsibility of the Minister of Climate Change.
9. For any new funding from Budget 25, any changes to non-financial performance measures will be reviewed in time for Supplementary Estimates 2025/26 during Budget 26.
10. We have updated the Estimates 2025/26 document to reflect the latest decisions on budget bids and new initiatives, which will be considered by Cabinet on 14 April 2025. The Treasury is continuing to review these documents in preparation of drafting the Appropriation (2025/26 Estimates) Bill and the Appropriation (2024/25 Supplementary Estimates) Bill in conjunction with the Parliamentary Counsel Office. We do not expect substantial feedback following the Treasury's review.
11. A summary of the new budget initiatives incorporated into the documents is provided in Appendix 1. Copies of the Estimates documents are attached in Appendices 2 and 3.

12. To facilitate the formal sign-off of the Estimates documents, the Treasury has provided template certification letters addressed to the Minister of Finance for Ministers to sign. These letters provide your assurance to the Minister of Finance that the Estimates 2025/26 and Supplementary Estimates 2024/25 documents are accurate and ready for publishing. They are attached in Appendix 6.
13. To support you in providing this assurance, certification letters signed by the Ministry's Chief Executive are included in Appendix 7. We are also seeking assurance from Minister Watts on the Climate Change appropriations within Vote Environment. We have requested that these be provided to you by 11 am Tuesday, 15 April 2025. This is necessary for you to meet your 1 pm submission deadline to Treasury.
14. Please sign the attached letters and forward copies of the letters along with the copies of the Estimates documents to the Minister of Finance's office by 1 pm on Tuesday 15 April 2025.
15. A copy of the Specific Fiscal Risks submitted to the Treasury as part of the 2025 Budget Economic and Fiscal Update is attached in Appendix 8 for your information. Note, the majority of the risks in the document relate to the Climate Change portfolio.

# Recommendations

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We recommend that you:

- a. **approve** the Estimates of Appropriation 2025/26 Yes | No
  
- b. **approve** the Supplementary Estimates of Appropriation 2024/25 Yes | No
  
- c. **note** that the Minister of Climate Change has been asked to forward you a letter advising that climate change aspects are complete and accurate to allow you to complete the certification letters by 1 pm on Tuesday, 15 April 2025
  
- d. **sign** the appended certification letters Yes | No
  
- e. **forward** the final Vote Environment documents and certification letters to the Minister of Finance by 1 pm Tuesday, 15 April 2025 Yes | No
  
- f. **note** the contents of the attached Specific Fiscal Risks document.

# Signatures

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James Palmer  
**Secretary for the Environment**

Date:10.04.2025

Hon Penny SIMMONDS  
**Minister for the Environment**

Date:

**Appendix 1: New Significant Initiatives for Vote Environment**



# New/Significant Initiatives for Vote Environment

– for information only

Policy Initiative	Appropriation	2024/25 Final Budgeted \$000	2025/26 Budget \$000	2026/27 Estimated \$000	2027/28 Estimated \$000	2028/29 Estimated \$000
Contestable Waste Minimisation Fund - Reforecast	<b>Waste Minimisation MCA</b> <b>Contestable Waste Minimisation Fund</b> Non-Departmental Output Expense	-	78,516	105,250	107,133	(259,299)
Environment funds - Savings and Streamlining	<b>Framework Convention on Climate Change</b> Non-Departmental Other Expense	-	80	80	80	80
	<b>International Subscriptions</b> Non-Departmental Other Expense	-	78	78	78	78
	<b>United Nations Environment Programme</b> Non-Departmental Other Expense	-	171	171	171	171
Environmental Protection Authority - Emissions Trading Scheme Penalty Reimbursement	<b>Emissions Trading Scheme</b> Non-Departmental Output Expense	53	-	-	-	-
Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme - MYA	<b>Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme - MYA</b> Non-Departmental Output Expense	-	175	175	525	-
Further Reallocation of Funding - Waste Disposal Levy	<b>Environmental Protection Authority functions</b> Non-Departmental Output Expense	-	5,000	5,000	-	-
	<b>Waste Minimisation MCA</b> <b>Environment Investment Fund</b> Non-Departmental Output Expense	-	97,586	60,556	61,386	61,561

	<b>Waste Minimisation MCA Environment Work Programme</b> Departmental Output Expense	-	(1,257)	5,499	5,499	5,499
	<b>Waste Minimisation MCA Waste Minimisation Administration</b> Departmental Output Expense	-	7,196	7,384	7,384	7,384
Ministry for the Environment - Wage cost pressures - tagged contingency drawdown	<b>Improving New Zealand's Environment</b> Departmental Output Expense	698	3,886	5,973	5,422	7,027
	<b>Managing Climate Change in New Zealand</b> Departmental Output Expense	302	1,740	2,675	2,428	3,147
	<b>Climate Change Chief Executives Board</b> Departmental Output Expense	-	128	197	178	231
Ministry for the Environment - Natural Resources Cluster - contingency drawdown	<b>Improving New Zealand's Environment</b> Departmental Output Expense	3,658	-	-	-	-
Resource Management Act Reform Phase 3 Implementation	<b>Improving New Zealand's Environment</b> Departmental Output Expense	-	13,787	10,057	-	-
Waitaki District Council exemption from Emissions Trading Scheme surrender requirements	<b>Emissions Trading</b> Non-Tax Revenue	(1,400)	-	-	-	-
Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme - MYA	<b>Fresh Start for Fresh Water: Rotorua Lakes Restoration Programme</b> Non-Departmental Output Expense	-	(175)	(175)	(175)	(175)
Climate Change Portfolio Baseline Savings	<b>Managing Climate Change in New Zealand</b> Departmental Output Expense	-	-	(260)	(260)	(260)
Climate Resilience for Māori - Downscaling of Fund	<b>Supporting Equitable Transitions and Climate Resilience for Māori - MYA</b> Non-Departmental Output Expense	-	(5,000)	-	-	-
Environment funds - Savings and Streamlining	<b>Climate Emergency Response Fund - Waste Initiatives - MYA</b> Non-Departmental Output Expense	(14,934)	-	-	-	-

	<b>Environmental Training Programmes</b> Non-Departmental Output Expense	-	(300)	(300)	(300)	(300)
	<b>Indigenous Biodiversity Fund - MYA</b> Non-Departmental Output Expense	-	-	-	(2,950)	-
	<b>Regional Planning Implementation - Delivery Partners in First Tranche Regions - MYA</b> Non-Departmental Output Expense	-	-	-	(300)	-
	<b>Regional Planning Implementation - Non-Government Organisations - MYA</b> Non-Departmental Output Expense	-	-	-	(400)	-
	<b>Regional Planning Implementation - Regional Readiness - MYA</b> Non-Departmental Output Expense	-	-	-	(1,585)	-
	<b>Water science and economics</b> Non-Departmental Output Expense	-	(1,500)	(1,500)	(1,500)	(1,500)
Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme - MYA	<b>Fresh Start for Fresh Water: Rotorua Lakes Restoration Programme</b> Non-Departmental Output Expense	-	(175)	(175)	(175)	(175)
Further Reallocation of Funding - Waste Disposal Levy	<b>Environmental Training Programmes</b> Non-Departmental Output Expense	-	(1,600)	(1,600)	(1,600)	(1,600)
	<b>Kaipara Moana Remediation</b> Non-Departmental Output Expense	-	-	-	-	(14,100)
	<b>Promotion of Sustainable Land Management</b> Non-Departmental Output Expense	-	(800)	(800)	(800)	(800)
	<b>Waste Minimisation MCA Contaminated Sites and Vulnerable Landfills Fund</b> Non-Departmental Output Expense	-	(5,128)	(2,628)	(2,628)	(2,628)
	<b>Waste Minimisation MCA Contestable Waste Minimisation Fund</b> Non-Departmental Output Expense	-	(66,249)	(111,234)	(113,814)	(127,789)
	<b>Waste Minimisation MCA</b>	-	(38,000)	-	-	-

	<b>Freshwater Improvement Fund</b> Non-Departmental Output Expense					
	<b>Waste Minimisation MCA</b> <b>Kaipara Moana Remediation</b> Non-Departmental Output Expense	-	(14,400)	(14,500)	(13,900)	-
	<b>Waste Minimisation MCA</b> <b>Reducing Emissions from Waste</b> Non-Departmental Output Expense	-	(31,600)	-	-	-
<b>Total Initiatives</b>		<b>(11,623)</b>	<b>42,159</b>	<b>69,923</b>	<b>49,897</b>	<b>(323,448)</b>

**Appendix 4: Changes to performance measures in the  
Supplementary Estimates and Estimates for Environment  
related appropriations**

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## Supplementary Estimates 24/25 - updates

Appropriation	Update type	Previous measure	Measure for submission	Rationale
Exclusive Economic Zone Major Prosecutions Fund	<b>New measure and standard</b>	N/A	<b>Measure:</b> The percentage of Exclusive Economic Zone Major Prosecutions Fund that is used in accordance with the agreed criteria  <b>Standard:</b> 100%	<b>Rationale:</b> Measure updated to align with the EPA's new performance framework.
Improving New Zealand's Environment	<b>Discontinued</b>	<b>Measure:</b> Number of Certifiers appointed  <b>Standard:</b> 10 - 30	N/A	<b>Rationale:</b> Change in work programme currently being considered.
Improving New Zealand's Environment	<b>New standard</b>	<b>Measure:</b> Number of certified freshwater farm plans  <b>Standard:</b> No standard	<b>Measure:</b> Number of certified freshwater farm plans  <b>Standard:</b> Year on year increase	<b>Rationale:</b> No previous standard recorded

Improving New Zealand's Environment	<b>Updated measure and standard</b>	<p><b>Measure:</b> Minimum 6 weeks public consultation for all National Direction workstreams</p> <p><b>Standard:</b> 100%</p>	<p><b>Measure:</b> Produce report(s) from submissions and recommendations on the subject matter of each national direction proposal to meet the requirements of the Resource Management Act</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> Updated in response to the Resource Management (Freshwater and Other Matters) Amendment Act 2024 and changes to the associated legislative requirements for national direction under the RMA. This measure also reflects the focus of the funding.</p>
Improving New Zealand's Environment	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Cabinet decisions taken on the major legislative architecture for the Government's replacement legislation for the Resource Management Act</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> The new measure reflects a significant milestone for the reform of the resource management system and was determined to be the most appropriate measure for the funding.</p>
Product Stewardship	<b>Updated measure and standard</b>	<p><b>Measure:</b> Tonnage of end-of-life tyres collected by the Tyrewise Product Stewardship scheme annually.</p> <p><b>Standard:</b> 13,000 Tonnes (NB - annual data for this measure is 1 April - 31 March not FY 1 July - 30 June)</p>	<p><b>Measure:</b> Auto Stewardship NZ meets 80% of the Ministry agreed milestones in their Deed/Operational delivery plan for the Tyrewise scheme.</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> New measure to better align with the purpose of non-departmental funding category.</p>

Product stewardship	<b>Updated measure and standard</b>	<p><b>Measure:</b> Processing, monitoring and auditing of the scheme to ensure the tyre stewardship fee is spent correctly and appropriately and achieving the expected outcomes</p> <p><b>Standard:</b> Achieved</p>	<p><b>Measure:</b> Monitoring and auditing of the scheme to ensure the tyre stewardship fee is spent correctly and appropriately and achieving the expected outcomes</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> Processing was removed as the focus of this measures sits with the monitoring and audit and a processing metric didn't add extra value.</p>
Product stewardship	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Tonnage of end-of-life tyres collected by the Tyrewise Product Stewardship scheme annually.</p> <p><b>Standard:</b> 13,000 Tonnes (NB - annual data for this measure is 1 Sept - 31 March not FY 1 July - 30 June)</p>	<p><b>Rationale:</b> Measure was identified as most appropriate to show progress against the intention of the appropriation.</p>

Repayable Capital Injection to the Environmental Protection Authority	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Percentage of interest and capital repayments met from levy proceeds</p> <p><b>Standard:</b> 100%</p>	<p><b>Rationale:</b> Replaces the previous capital appropriation for the Emissions Trading Register. Measure updated to align with this change.</p>
Waste Minimisation	<b>Updated measure and standard</b>	<p><b>Measure:</b> Number of audits of disposal facilities completed</p> <p><b>Standard:</b> 100% [Annual Programme Goal]</p>	<p><b>Measure:</b> Number of audits and site inspections of disposal facilities completed.</p> <p><b>Standard:</b> 100% of Annual Programme Goal = 16 audits and 60 Inspections</p>	<p><b>Rationale:</b> The compliance function uses both audits and site inspections and these are linked. Standard updated for clarification.</p>
Waste Minimisation	<b>Updated standard</b>	<p><b>Measure:</b> Number of audits of territorial authorities completed</p> <p><b>Standard:</b> 100% [Annual Programme Goal]</p>	<p><b>Measure:</b> Number of audits of territorial authorities completed</p> <p><b>Standard:</b> 100% of Annual Programme Goal = 6 territorial authority audits (Modified prototyped “fit for purpose” TA audits)</p>	<p><b>Rationale:</b> Standard updated for clarification.</p>

Waste Minimisation	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Funded projects achieve their stated objectives to improve ecosystem health, minimise waste, and remediate contaminated sites and vulnerable landfills</p> <p><b>Standard:</b> 80%</p>	<p><b>Rationale:</b> Selected as the most appropriate measure to indicate that investments are delivering what was expected.</p>
Waste Minimisation	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Publish a new Waste and Resource Efficiency Strategy in alignment with Government priorities to minimise waste and improve waste management.</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> Selected as the most appropriate measure as relates to a key deliverable and sets direction of the Waste and resource efficiency work programme.</p>
Waste Minimisation	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Technical quality of advice papers (assessed by a survey with a methodical robustness of 100%)</p> <p><b>Standard:</b> Primary: 70% of papers score at least 3.5 out of 5 and Secondary: 80% of papers score at least 3 out of 5</p>	<p><b>Rationale:</b> Selected as the most appropriate measure as relates to quality policy advice being provided.</p>

Waste Minimisation	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Percentage of completed contaminated sites projects that achieve stated objectives</p> <p><b>Standard:</b> 100%</p>	<b>Rationale:</b> Selected as the most appropriate measure for the funding.
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## Main Estimates 25/26 – new measures

Appropriation	Update type	Previous measure	Measure for submission	Rationale
Contaminated Sites Remediation Fund + Waste Minimisation	<b>Updated measure and standard, new category</b>	<p><b>Measure:</b> Percentage of completed contaminated sites projects that achieve stated objectives</p> <p><b>Standard:</b> 100%</p>	<p><b>Measure:</b> Percentage of completed contaminated sites and vulnerable landfill projects that achieve stated objectives</p> <p><b>Standard:</b> 100%</p>	<p><b>Rationale:</b> Measure updated and now reports on both contaminated sites and vulnerable landfill projects.</p> <p>This will now sit within a new category of the Waste Minimisation multi category appropriation: 'Environmental Investment Fund'</p>
Environmental Protection Authority (EPA) - Emissions Trading Scheme	<b>Updated measure and standard</b>		<p><b>Measure:</b> Percentage of units transferred within 2 business days of receiving a direction</p> <p><b>Standard:</b> 100%</p>	<b>Rationale:</b> Measure updated to align with the EPA's new performance framework.

Environmental Protection Authority (EPA) - Emissions Trading Scheme	<b>Updated measure and standard</b>		<p><b>Measure:</b> Percentage availability of the ETR to online users</p> <p><b>Standard:</b> 100%</p>	<p><b>Rationale:</b> Measure updated to align with the EPA's new performance framework.</p>
Environmental Protection Authority functions	<b>Updated measure and standard</b>		<p><b>Measure:</b> Audit rating for EPA processes supporting environmental decisions</p> <p><b>Standard:</b> Effective</p>	<p><b>Rationale:</b> Measure updated to align with the EPA's new performance framework, and to encompass the fast-track activities.</p>
Environmental Protection Authority functions	<b>New measure and standard</b>		<p><b>Measure:</b> Number of higher complexity, quantitatively assessed (Category B and Category C) hazardous substances applications decided</p> <p><b>Standard:</b> 7</p>	<p><b>Rationale:</b> Measure updated to align with the EPA's new performance framework.</p>

Environmental Protection Authority functions	<b>New measure and standard</b>		<p><b>Measure:</b> Number of hazardous substances applications yet to be decided</p> <p><b>Standard:</b> 103</p>	<b>Rationale:</b> Measure updated to align with the EPA's new performance framework.
Environmental Protection Authority functions	<b>Updated measure and standard</b>		<p><b>Measure:</b> Number of offshore facilities inspected</p> <p><b>Standard:</b> 5</p>	<b>Rationale:</b> Measure updated to align with the EPA's new performance framework.
Waste Minimisation	<b>Updated standard</b>	<p><b>Measure:</b> Number of audits of territorial authorities completed</p> <p><b>Standard:</b> 100% [Annual Programme Goal]</p>	<p><b>Measure:</b> Number of audits of territorial authorities completed</p> <p><b>Standard:</b> 100% of Annual Programme Goal = 24 territorial authority audits (Modified "fit for purpose" TA audits)</p>	<b>Rationale:</b> Updated standard from previous year.

Waste Minimisation	<b>New Category</b>	N/A	<p><b>Measure:</b> Percentage of Freshwater Improvement Fund projects that are on track to achieve their stated objectives</p> <p><b>Standard:</b> 80%</p>	<p><b>Rationale:</b> Previous category has been discontinued (Freshwater Improvement Fund) and the measure will now sit within a new category of the Waste Minimisation multi category appropriation: 'Environmental Investment Fund'.</p>
Waste Minimisation	<b>New Category</b>	N/A	<p><b>Measure:</b> Percentage of Public Waterways and Ecosystem Restoration Fund projects that are on track to achieve their stated objectives</p> <p><b>Standard:</b> 80%</p>	<p><b>Rationale:</b> Previous category has been discontinued (Freshwater Improvement Fund) and the measure will now sit within a new category of the Waste Minimisation multi category appropriation: 'Environmental Investment Fund'.</p>
Waste Minimisation	<b>New Category</b>	N/A	<p><b>Measure:</b> Percentage of At-Risk-Catchment projects that are on track to achieve their stated objectives</p> <p><b>Standard:</b> 80%</p>	<p><b>Rationale:</b> Previous category has been discontinued (Freshwater Improvement Fund) and the measure will now sit within a new category of the Waste Minimisation multi category appropriation: 'Environmental Investment Fund'.</p>
Waste Minimisation	<b>New Category</b>	N/A	<p><b>Measure:</b> Percentage of Essential Freshwater Fund projects that are on track to achieve their stated objectives</p> <p><b>Standard:</b> 80%</p>	<p><b>Rationale:</b> Previous category has been discontinued (Freshwater Improvement Fund) and the measure will now sit within a new category of the Waste Minimisation multi category appropriation: 'Environmental Investment Fund'.</p>

Waste Minimisation	<b>New Category</b>	N/A	<p><b>Measure:</b> Percentage of Kaipara Moana Remediation Programme projects that are on track to achieve their stated objectives</p> <p><b>Standard:</b> 80%</p>	<p><b>Rationale:</b> Previous category has been discontinued (Kaipara Moana Remediation) and the measure will now sit within a new category of the Waste Minimisation multi category appropriation: 'Environmental Investment Fund'.</p>
Fresh Start for Fresh Water: Rotorua Te Arawa Lakes Programme	<b>New multi-year appropriation</b>	N/A	<p><b>Measure:</b> The number of Deed funded lakes that are no greater than 0.2 TLI units above their target Trophic Level Index (TLI), based on the three-year rolling TLI</p> <p><b>Standard:</b> 3 out of 4 lakes</p>	<p><b>Rationale:</b> New multi-year appropriation established.</p>

## **Appendix 5: Changes to performance measures in the Supplementary Estimates and Estimates for Climate Change related appropriations**

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## Supplementary Estimates 24/25 - updates

Appropriation	Update type	Previous measure	Measure for submission	Rationale
Climate Change Chief Executives Board	<b>Updated measure and standard</b>	<p><b>Measure:</b> Reporting on the delivery of Government's climate priorities is delivered on time</p> <p><b>Standard:</b> 100%</p>	<p><b>Measure:</b> Progress reporting on the delivery of the Government's climate change goals and targets is delivered on time</p> <p><b>Standard:</b> 100%</p>	<p><b>Rationale:</b> Measure is updated to encompass quarterly reporting against Govt Target 9/Emissions Budgets.</p>
Climate Change Commission: Capital Contribution	<b>Discontinued</b>	<p><b>Measure:</b> Expenditure is used to build and maintain an evidence base and a fit for purpose working environment</p> <p><b>Standard:</b> Achieved</p>	N/A	<p><b>Rationale:</b> Absorption of CAPEX into OPEX.</p>

Managing Climate Change in New Zealand	<b>Updated measure and standard</b>	<b>Measure:</b> Percentage of satisfied stakeholders, measured by satisfaction survey.  <b>Standard:</b> 70%	<b>Measure:</b> Pou Take Ahuarangi joint work programme activities delivered  <b>Standard:</b> Achieved	<b>Rationale:</b> The measure selected reflects the updated work programme as well as aligning with our new strategic intentions - Te Tiriti is upheld and the Māori Crown relationship is strong
Managing Climate Change in New Zealand	<b>Discontinued</b>	<b>Measure:</b> Number of data products released  <b>Standard:</b> 3	N/A	<b>Rationale:</b> No longer dedicated funding
Supporting Equitable Transitions and Climate Resilience for Māori - MYA	<b>Updated measure and standard</b>	<b>Measure:</b> Percentage of completed Māori Climate platform projects that are on track to achieve their stated objectives.  <b>Standard:</b> 80%	<b>Measure:</b> Māori Climate Platform pilot projects launched.  <b>Standard:</b> Achieved	<b>Rationale:</b> The measure selected reflects the purpose of the appropriation by funding Kaupapa Māori, Tangata Māori initiatives and partnerships to support community climate action.

## **Main Estimates 25/26 – new measures**

TBC via Supplementary estimates 25/26

**Appendix 6: Ministerial Certification Letters for signing**

# Hon Penny Simmonds

Minister for the Environment  
Minister for Vocational Education  
Associate Minister for Social Development and Employment



15 April 2025

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings  
WELLINGTON

Dear Nicola

## **2025/26 Estimates: Ministerial Sign-off for Vote Environment**

I advise that the *Estimates of Appropriations 2025/26 and Supporting Information* documents for Vote Environment, for which the Ministry for the Environment is the administering department, have been completed – and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2025/26 Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to 07 April 2025
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

In signing this statement, I acknowledge that I and the Minister of Climate Change are responsible for the information for Vote Environment administered by the Ministry for the Environment included in the *Estimates of Appropriations 2025/26 and Supporting Information*.

Yours sincerely

Hon Penny Simmonds

**Minister for the Environment**

On behalf of all Ministers responsible for appropriations in Vote Environment



15 April 2025

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings  
WELLINGTON

Dear Nicola

## **2024/25 Supplementary Estimates: Ministerial Sign-off for Vote Environment**

I advise that the *Supplementary Estimates of Appropriations 2024/25 and Supporting Information* documents for Vote Environment, for which the Ministry for the Environment is the administering department, have been completed – and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2024/25 Supplementary Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to 07 April 2025
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

In signing this statement, I acknowledge that I and the Minister of Climate Change are responsible for the information for Vote Environment administered by the Ministry for the Environment included in the *Supplementary Estimates of Appropriations 2024/25 and Supporting Information*.

Yours sincerely

Hon Penny Simmonds

**Minister for the Environment**

On behalf of all Ministers responsible for appropriations in Vote Environment

**Appendix 7: Signed Certification Letters from the Ministry's  
Chief Executive**

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## 2025/26 Estimates Chief Executive Sign-off

09 April 2025

Hon Penny Simmonds  
Minister for the Environment  
Parliament Buildings  
WELLINGTON

Dear Minister

### 2025/26 Estimates Documents for Vote Environment

#### Action Required

Attached, for your approval are:

- the documentation for the 2025/26 Estimates and Supporting Information for the appropriations that you are responsible for in Vote Environment, and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2025 process requires that:

- the Estimates documentation for Vote Environment is completed by 07 April 2025, and
- one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and, in a form, suitable for publication.

#### The Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the Government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2025/26 Estimates) Bill, as entered by the Ministry for the Environment into the Treasury's CFISnet system

- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to 07 April 2025
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by the Ministry for the Environment's senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Minister Hon Simon Watts is associated with Vote Environment and is responsible for the Climate Change related appropriations.

The Budget process requires that all appropriation Ministers review the Estimates documentation relating to the appropriations for which each is responsible. One appropriation Minister, on behalf of all appropriation Ministers associated with the Vote, should then confirm to the Minister of Finance that the Estimates documentation for the Vote is fit for publication.

The Minister of Climate Change responsible for the Climate Change related appropriations in Vote Environment has agreed that the Minister for the Environment will sign the attached letter to the Minister of Finance, on his behalf. Accordingly, I recommend that once the Minister of Climate Change is comfortable with the material for the appropriations that he is responsible for, you sign the attached letter to the Minister of Finance.

### **Recommendation**

- a) **note** the Minister of Climate Change will forward the signed certification letter addressed to you.
- b) **sign** the attached letter and forward this to the Minister of Finance's office by 1 pm Tuesday, 15 April 2025.

Yours sincerely



James Palmer  
**Secretary for the Environment**



## 2024/25 Supplementary Estimates Chief Executive Sign-off

09 April 2025

Hon Penny Simmonds  
Minister for the Environment  
Parliament Buildings  
WELLINGTON

Dear Minister

### 2024/25 Supplementary Estimates Documents for Vote Environment

#### Action Required

Attached, for your approval are:

- the documentation for the 2024/25 Supplementary Estimates and Supporting Information for the appropriations that you are responsible for in Vote Environment, and
- a draft letter to the Minister of Finance.

#### Background

The Budget 2025 process requires that:

- the Supplementary Estimates documentation for Vote Environment is completed by 07 April 2025, and
- one of the appropriation Ministers responsible for appropriations in the Vote, on behalf of all appropriation Ministers with appropriations in the Vote, confirm to the Minister of Finance that this material is correct and, in a form, suitable for publication.

#### The Supplementary Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the Government, and has been prepared in accordance with the Public Finance Act 1989

- is consistent with the proposed appropriations to be set out in the Appropriation (2024/25 Supplementary Estimates) Bill, as entered by the Ministry for the Environment into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to 07 April 2025
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by the Ministry for the Environment's senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

Minister Hon Simon Watts is associated with Vote Environment and is responsible for the Climate Change related appropriations.

The Budget process requires that all appropriation Ministers review the Estimates documentation relating to the appropriations for which each is responsible. One appropriation Minister, on behalf of all appropriation Ministers associated with the Vote, should then confirm to the Minister of Finance that the Estimates documentation for the Vote is fit for publication.

The Minister of Climate Change responsible for the Climate Change related appropriations in Vote Environment has agreed that the Minister for the Environment will sign the attached letter to the Minister of Finance, on his behalf. Accordingly, I recommend that once the Minister of Climate Change is comfortable with the material for the appropriations that he is responsible for, you sign the attached letter to the Minister of Finance.

### **Recommendation**

- a) **note** the Minister of Climate Change will forward the signed certification letter addressed to you.
- b) **sign** the attached letter and forward this to the Minister of Finance's office by 1 pm Tuesday, 15 April 2025.

Yours sincerely



James Palmer  
**Secretary for the Environment**

**Appendix 8: Specific Fiscal Risks document**

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## Ministry for the Environment - Climate Change

### Specific Fiscal Risks – Budget Economic and Fiscal Update (BEFU) 2025

#### 1) Achieving New Zealand's International and Domestic Climate Change Targets

New Zealand has two international targets under the Paris Agreement to contribute to global efforts to limit global average temperature increases. Additional domestic and offshore abatement will be needed to meet the first Nationally Determined Contribution (2021 to 2030). The Government has choices around how it achieves this, however, regardless of what these choices are, it is likely that fulfilling these commitments will involve significant costs to the Crown. The cost of using offshore mitigation from international cooperation is highly uncertain. Based on prices from emerging economies and established carbon markets, the Ministry for the Environment and the Treasury have developed illustrative cost scenarios where the total cost of international purchases range from \$3.3 to \$9.9 billion. The total fiscal cost of achieving our first NDC will depend not only on the costs of international emissions reductions, but also the direct and indirect fiscal costs of accelerating New Zealand's domestic transition.

In January 2025, the Government announced a second nationally determined contribution (NDC2) as a target range of 51-55 % net reduction on 2005 gross levels by 2035. The lower end of the target range aligns with the reductions required to meet the third domestic emissions budget. This means that there are no additional fiscal risks arising from this target.

The Climate Change Response (Zero Carbon) Amendment Act 2019 requires the Government to set and achieve domestic greenhouse gas emissions targets and emissions budgets (emissions budget 1, 2 & 3 covering the 2022 to 2035 period). Domestic abatement within this framework contributes to the Nationally Determined Contributions described in the paragraph above. The Government has released its second emissions reduction plan in December 2024 which outlined policies and strategies to achieve New Zealand's domestic targets. Some of these policies will be funded under existing baselines; however additional funding may be required over the period of 2026 to 2030, which could affect the Government's operating balance and net core Crown debt.

#### 2) Adaptation Policy Changes (Policy Change and Expenses)

New Zealand's first national adaptation plan (NAP) was published in August 2022 to address key risks identified in the National Climate Change Risk Assessment. The NAP is an all-of-government plan which covers actions New Zealand will take to adapt to the impacts of climate change to 2028. The NAP's actions focus on four priority areas: enabling better risk-informed decisions, driving climate-resilience development in the right locations, adaptation options including managed retreat, and embedding resilience into government strategies, policies, and plans. Many actions to address these risks already have funding and are underway and some have already been completed. Proposed future work programmes would depend on funding and future budget decisions, which could have implications for the Government's operating allowance.

In August 2024 the Climate Change Commission (the Commission) published their first report on the implementation and effectiveness of the NAP. The Commission's main finding was that adaptation

action is not taking place at the scale or pace needed. While investment in policy work on adaptation may contribute to operating costs, these are expected to be more than offset by long-term financial and non-financial cost savings from impacts of climate change not being (fully) realised. However, direct causal links will be hard to draw, given the complexity of the issue and long-time lags.

### **3) Carbon Neutral Government Programme**

As part of its contribution to achieving New Zealand's climate change targets, the previous Government established the Carbon Neutral Government Programme (CNGP), supported by the State Sector Decarbonisation Fund. Where the costs of achieving the objectives of the programme exceed allocations previously made through the State Sector Decarbonisation Fund and participating agency budgets, this would require additional funding with a corresponding impact on the fiscal forecasts.

### **4) Cost of severe weather events**

Cyclone Gabrielle and the Auckland Anniversary floods have demonstrated the importance of reducing natural hazard risks, which are increasing with climate change. In 2023, Treasury estimated the damage from these two events as between \$9 to \$14.5 billion. Approximately 14,500 houses – worth \$12.9 billion – can be expected to experience at least one major flood by 2060 (at least 30cm of water above floor level).

Generally, the Crown makes decisions about which costs it might share after an event, rather than prior to the event, meaning these costs cannot be quantified as specific fiscal risks. While neither central nor local government is committed to providing similar assistance in the future, past decisions have set expectations. The NAF is considering how future risks and costs needs to be shared, including what a transition to any new, credible and durable approach could like so people can manage their own risks and markets are able to adjust over time.

There are also multiple uncertainties in modelling the potential fiscal risks. However, net core Crown debt could be higher by 3.77% of GDP in 2061 from increased storms and droughts. In 2020, NZIER estimated that climate change could cause an increase in the annual growth of the Crown liability for natural hazards from 5.3% to 5.5%-5.7% through to 2050, due to increased risk from storms and floods.

### **5) Emissions Intensity-Based Allocation**

Free allocations of NZUs are provided to firms that carry out any of 26 eligible industrial activities. The number of emission units allocated for each activity changes from year to year in proportion to production from these activities, e.g. the amount of steel or aluminium made in each year. In general, output levels of the major activities are relatively stable, but some may fluctuate over the forecast period due to circumstances outside the government's control (such as the closing or opening of businesses, changes in energy costs, supply chain pressures). If there is an increase in units allocated by the Government to industry over the forecast period it will translate to a fiscal cost, based on the emission unit price. The magnitude of allocation fluctuations is difficult to predict. This risk is partly mitigated by the fact that industrial allocation is slowly being phased out – currently at a rate of 1 percentage point per annum.

## **6) Emissions Trading Scheme – Abatement Obligations Arising from Price Ceilings Being Exceeded**

Aotearoa New Zealand's Emissions Trading Scheme has a soft ceiling, called the Cost Containment Reserve (CCR), which releases additional New Zealand Units (NZUs) at auction if a certain price threshold is reached. Despite the CCR being exhausted for both the 2021 and 2022 calendar years, the CCR volumes are not included in the fiscal forecasts, as it is assumed it will not typically be triggered. Under the Climate Change Response Act 2002, if the release of those units causes an emissions budget to be exceeded, the Minister of Climate Change must obtain equivalent emissions reductions to 'back' the excess. This obligation also applies to NZUs allocated through industrial allocation. If this were to occur, there is a fiscal risk associated with the cost of obtaining the emissions reductions required. The overall fiscal impact of this risk is uncertain and depends on the cost of obtaining equivalent emissions reductions, which could be achieved through domestic or offshore mitigation.

## **7) Emissions Trading Scheme – Variations Arising from Unit Auctions Failing to Clear**

New Zealand's Emissions Trading Scheme (ETS) involves auctioning a certain volume of New Zealand Units (units) each calendar year. One unit represents one metric tonne of carbon dioxide equivalent. ETS auctions contain two reserve prices that, if not met, can prevent units from being sold:

- Auction price floor: Units will not sell if the final clearing price at auction does not meet the auction price floor, which is set by the Government and published in advance.
- Confidential reserve price: Units may also not sell if the final clearing price is significantly lower than prevailing prices in the secondary market (where ETS participants on-sell units to one another).

If auctions are cancelled (if either of these thresholds are not met) or only partially clear (due to insufficient bids), some units will remain unsold. These unsold units are rolled over to remaining auctions in the same calendar year. If fewer units are sold in a given fiscal year than assumed in the forecasts, this results in lower cash proceeds, higher net core Crown debt and a lower ETS liability.

## **8) Emissions Trading Scheme – Variations in Revenue and Expenses**

The Emissions Trading Scheme (ETS) earns revenue and incurs expenses for the Crown, both of which are uncertain. The uncertainty is largely owing to the future market price of New Zealand Units and the responses of participants. As a result of these factors, actual revenue and expenses may vary from the fiscal forecasts, which for both revenue and expenses assume a carbon price value based on the prevailing market price. In addition, any government decisions to update the ETS price and unit supply settings could affect ETS cash proceeds from auctions. These decisions are supported by modelling and forecasts, which are inherently uncertain.

## **9) Emissions Trading Scheme Debt Impairment**

There is a risk that participants may not be able to surrender emission units to settle their obligations due to entering receivership or liquidation. The overall fiscal impact of this risk is uncertain, and it will depend on variables including emission unit price, emission volumes, the amount of emission units owed by participants and the financial health of participants.



## Briefing: Emissions trading scheme exemption for Waitaki District Council

**Date submitted:** 13 February 2025

**Sub Security level:** CLASSIFICATION, Policy and Privacy

**MfE priority:** Urgent

Actions sought from Ministers		
<i>Name and position</i>	<i>Action sought</i>	<i>Response by</i>
To Hon Simon WATTS <b>Minister of Climate Change</b>	Direct officials to draft a Cabinet policy paper	18 Feb 2025

Actions for Minister's office staff
<b>Return</b> the signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ).

Appendices and attachments
Nil

Key contacts at Ministry for the Environment			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Scott Gulliver		
Responsible Manager	Simon Mandal-Johnson	9(2)(a)	✓
General Manager	Mark Vink		

Minister's comments

# Emissions trading scheme exemption for Waitaki District Council

1. Waitaki District Council (WDC) has approached the Ministry seeking a narrow exemption from the NZ ETS arising from its operation of a disposal facility. The exemption sought is for disposing fly tipped waste recovered in 2024. We consider there is a strong case for this exemption, both from its merits and from precedence. We seek your direction to draft a Cabinet policy paper for approval for the exemption.

## *Background*

2. Under 'Project Reclaim', WDC removed 70,000 tonnes waste from three coastal sites at risk of erosion and redispersed them at Palmerston Landfill in 2024. 51,000 tonnes of that waste was from an old landfill with 19,000 tonnes was from two large fly-tipping sites.
3. The NZ ETS imposes obligations on disposing municipal waste at landfill. Landfill operators are required to report landfill emissions based on tonnage disposed in the year and surrender emission units to the same value.
4. A standing exemption means that waste being redispersed from closed landfills does not create a new liability under the NZ ETS. This exemption arose from a March 2019 flooding event on the South Island's west coast which eroded the historic Fox Glacier River landfill, spreading legacy waste for a large distance along the coastline. The exemption has encouraged councils to address environmental issues posed by the hundreds of historic landfills at risk of erosion. However, this exemption does not cover the re-disposal of fly tipped waste.
5. Without an exception, redispersing this fly tipped waste will create an NZ ETS liability for WDC. WDC estimate this will require them to report 22,000 tonnes of emissions for the fly tipped waste and surrender emission units, valued at \$1.4m, at the cost to the Council and ratepayers. This runs against the policy intent of the NZ ETS as the waste in question contains almost no organic matter, and therefore no methane generation potential, given its age.

## *Power to exempt a person from NZ ETS obligations*

6. The Minister of Climate Change has the power under section 60 of the Climate Change Response Act 2022 to recommend an exemption from NZ ETS obligations by Order-in-Council. The Minister must have had regard to, and be satisfied of, several matters as listed in that section.
7. No delegation exists for a Ministerial or agency policy decision on NZ ETS exemptions. Although this is a technical and relatively minor matter, Cabinet policy approval is needed ahead of the presentation of amendment regulations. We consider there are strong economic and environmental arguments for this exemption and seek your approval to progress this through Cabinet. Our objective has been to avoid WDC being required to surrender the \$1.4m of emission units for emissions that will not actually occur. This can be achieved with the timing set out below.

## *Next steps*

8. Our proposed milestones in this work are as follows:

Draft Cabinet policy paper and regulatory impact statement to you	27 February
Begin Ministerial consultation on draft Cabinet ECO paper	6 March
Cabinet ECO Committee meeting	26 March
First draft of Cabinet LEG paper to you	10 April
Begin Ministerial consultation on draft Cabinet LEG Committee paper (includes waiver of 28 day rule)	17 April
Cabinet LEG Committee meeting	8 May
Notice of exemption regulations are published in the NZ Gazette	14 May

## Recommendations

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We recommend that you:

- a. **note** that Waitaki District Council redispensed 19,839 tonnes of inert fly tipped waste from two Beach Road sites into the Palmerston Landfill in 2024 and that this will lead to an NZ ETS cost of \$1.4m to the Council even though no emissions will occur
  - b. **note** section 60 of the Climate Change Response Act 2002 allows the Minister to recommend the making of regulations by Order in Council to exempt a person from NZ ETS obligations
  - c. **direct** officials to draft a Cabinet paper to seek Cabinet policy approval and the issuance of drafting instructions to exempt WDC from NZ ETS obligations for operating a disposal facility in relation to redispersing fly tipped waste recovered from Beach Road in 2024
- Yes | No
- d. **note** we will provide you with a draft of the Cabinet Economic Policy Committee paper on 27 February along with a draft regulatory impact statement

## Signatures

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Simon Mandal-Johnson  
**Manager, ETS Policy**  
12 February 2025

Hon Simon WATTS  
**Minister of Climate Change**



## Briefing: Budget 25 - climate portfolio

Date submitted: 14 February 2025

Tracking number: BRF-5870

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Simon WATTS <b>Minister of Climate Change</b>	Provide direction on any Climate Change portfolio savings to submit through the Budget 25 Baseline Savings Programme	17 February 2025

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ).

Appendices and attachments
nil

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Charlotte Wood	9(2)(a)	
General Manager	Hemi Smiler		
Deputy Secretary	Sam Buckle	022 034 0311	✓

Minister's comments

# Budget 25 - climate change portfolio

## Key messages

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1. This briefing seeks your decision on Climate Change portfolio savings you want to submit through the Budget 25 Baseline Savings Programme. These savings would be in addition to savings already delivered through Budget 24, and savings submitted through other Budget 25 initiatives.
2. The Climate Change portfolio work programme is largely driven by legislative requirements under the Climate Change Response Act 2002 (CCRA). The most effective and efficient way to deliver savings would be through review and amendment of the CCRA. You have asked us to look at the procedural requirements of the CCRA, with a focus on ensuring that all its provisions deliver value in terms of outcomes. Savings resulting from this review would not be known by Budget 25, but could be realisable for Budget 26.
3. Following an internal baseline review, we identified three savings options across the Climate Change Interdepartmental Executives Board (CCIEB), voluntary carbon markets (VCM), and Measuring Emissions Guide totalling \$4.177m. These were outlined in BRF-5779.
4. Treasury has since indicated that Minister Seymour is expected to send a further letter inviting you to submit savings from three appropriations, with particular consideration of climate mitigation, CCIEB, Climate Change Commission (the Commission), data and evidence, programme management, and Māori climate action. The deadline for submitting initiatives has been extended to noon 21 February.
5. While there may be some changes in the details of what we expect to be in Minister Seymour's invitation letter, timeframes to submit savings require your steer on any savings options you want to consider submitting now.
6. Work in the climate portfolio has already undergone significant scaling. Savings beyond those identified through our internal baseline review would largely require legislative change and not be deliverable until at least Budget 26 or require stopping priority work within your work programme. Where some marginal savings exist, these would be delivered more effectively through a review of the CCRA (e.g. savings related to the Climate Change Commission).

## Recommendations

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We recommend that you:

- a. **Note** Minister Seymour will write to you outlining an extension to submit savings through the Baseline Savings Programme to 21<sup>st</sup> February, and request savings across three Climate Change portfolio appropriations

- b. **Note** that while the best opportunity for enduring savings from the Climate Change portfolio is through review and amendment of the CCRA, savings would not be deliverable until at least Budget 26
  
- c. **Provide direction** on whether you wish to progress the following additional Climate baseline savings through the Baseline Savings Programme, totalling \$4.177m over four years:
  - i. Align future CCIEB funding with current levels – \$2.085m  

Yes / No
  
  - ii. Return funding allocated to the Voluntary Carbon Market (VCM) project – up to \$1.972m  

Yes / No
  
  - iii. Scale the Measuring Emissions Guide – \$0.120m  

Yes / No
  
- d. **Provide direction** on whether you would like to pursue additional savings options from any of the following Managing Climate Change in New Zealand work areas through Budget 25
  - i. Climate mitigation  

Yes | No
  
  - ii. Māori Climate Action  

Yes | No
  
  - iii. Data & evidence - Land use and Carbon sequestration  

Yes | No
  
  - iv. Data & Evidence - Emissions reporting and Climate Impacts  

Yes | No
  
  - v. Climate programme management  

Yes | No
  
- e. **Provide direction** on whether you want to pursue additional savings options (beyond those identified in Recommendation c i) from the Climate Change Chief Executives Board appropriation through Budget 25  

Yes | No

- f. **Provide direction** on whether you would like to consider any savings options from the Climate Change Commission appropriation through Budget 25

Yes | No

- g. **Note** that if you wish to submit savings related to the Climate Change Commission, we recommend discussion with the Chair, Dame Patsy Reddy, before confirming the level of savings to be submitted on 21<sup>st</sup> February

## Signatures

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Sam Buckle  
**Deputy Secretary – Climate Change  
Mitigation and Resource Efficiency**  
14 February 2025

Hon Simon WATTS  
**Minister of Climate Change**

**Date**

# Budget 25 - climate change portfolio

## Purpose

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7. To seek your decision on any climate change portfolio savings initiatives you wish to submit through Budget 25.

## Background

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8. Through its Fiscal Sustainability Programme, the Government continues to focus on identifying savings and lifting public sector performance and value for money to deliver on its policy commitments and address critical cost pressures.
9. The Ministry is committed to supporting these objectives including through implementing the savings agreed through the 2023 Mini Budget and Budget 24, and putting forward further savings through Budget 25 in response to invitations from the Minister of Finance.
10. Minister Seymour invited further savings from the Climate Change portfolio in a letter to you dated 4 December 2024. This invitation is due to higher expenditure growth than average since the 2016/17 financial year.
11. In BRF-5779 we provided advice on the overall climate change fiscal strategy. While the review and amendment of the CCRA is the best opportunity to realise meaningful and enduring savings, these would not be available until at least Budget 26. We identified three options that could deliver short-term savings through Budget 25 while still retaining sufficient resource to progress review and amendment of the CCRA to realise savings through Budget 26.

## Analysis and advice

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### **We expect Minister Seymour will write to you to invite savings from three Climate Change portfolio appropriations**

12. Treasury have indicated that Minister Seymour is likely to send you an additional letter that outlines the overall savings target for the Baseline Savings Programme and invites savings from the climate portfolio to contribute to this target across the following appropriations:
  - Managing Climate Change in New Zealand (\$51.5m at HYEPU 2024)
  - Climate Change Chief Executives Board (\$4.1m at HYEPU 2024)
  - Climate Change Commission (\$15.1m at HYEPU 2024)
13. Within these appropriations, Treasury indicated that there are a range of specific work areas they expect Minister Seymour is likely to ask you to consider.

## Review and amendment of the CCRA provides the best opportunity for enduring climate savings

14. The significant reduction in Climate Change portfolio FTE and funding that has already been agreed (outlined in the table below), coupled with the fact that the Climate Change work programme is largely driven by legislative requirements, means there are limited opportunities to deliver further short-term savings without compromising our ability to deliver on your priorities, meet our statutory obligations and manage cost pressures.

Total Climate Funding (Dept and non Dept) [\$ millions]	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Pre Budget 24	87.586	92.864	96.180	96.230	93.490	378.764
ETS Market Governance tagged contingency		9.437	9.437	9.437	6.000	34.311
<b>Total funding pre Budget 24</b>	<b>87.586</b>	<b>102.301</b>	<b>105.617</b>	<b>105.667</b>	<b>99.490</b>	<b>413.075</b>
Budget 24 savings offered from baseline		(8.577)	(10.707)	(19.619)	(19.646)	(58.550)
Budget 24 savings offered -ETS Market Governance tagged contingency		(9.437)	(9.437)	(9.437)	(6.000)	(34.311)
<b>Total Budget 24 savings offered</b>		<b>(18.014)</b>	<b>(20.144)</b>	<b>(29.056)</b>	<b>(25.646)</b>	<b>(92.861)</b>
OBU 24 changes		2.570	2.691	3.095	2.606	10.962
<b>Post OBU 24 funding (Current)</b>		<b>86.857</b>	<b>88.164</b>	<b>79.706</b>	<b>76.450</b>	<b>331.177</b>
Expected reduction from change process in MBU 2025		(8.579)	(5.417)	(9.053)	(7.401)	(30.450)
<b>MBU 25 final appropriator after change ( Dept and non Dept)</b>	<b>87.586</b>	<b>78.278</b>	<b>82.747</b>	<b>70.653</b>	<b>69.049</b>	<b>300.727</b>
Change from pre-Budget 24 to MBU 25		24.023	22.870	35.014	30.441	112.348
Change %		23.5%	21.7%	33.1%	30.6%	27.2%

15. Consequently, the preferred approach is to deliver savings via review and amendment of the CCRA. You have asked us to look at the procedural requirements of the CCRA, with a focus on ensuring that all its provisions deliver value in terms of outcomes. We are currently reviewing the legislation to identify provisions that are (1) not well targeted towards a particular outcome and/or (2) require a level of effort and resourcing that is disproportionate to the outcome sought or achieved. We intend to give you advice on the changes that may be in scope of this work in late February.
16. Savings arising out of this review would not be available for Budget 25, and progressing this work will require sufficient resource to be retained within the climate change portfolio. We do not recommend submitting savings dependent on legislative change through Budget 25 given the uncertainty of the scope and scale of savings possible. Savings could be realisable from Budget 26 onwards.

## We previously identified \$4.177m of additional Climate baseline savings (total) to consider for the Budget 25 Baseline Savings Programme

17. Following an internal baseline review, in BRF-5779 we identified a small number of possible savings that could be realised without further FTE reductions, structural change, or legislative change. 9(2)(f)(iv)
18. The options would provide savings for the Climate Change Chief Executives Board (\$2.085m total savings) and Managing Climate Change in New Zealand appropriation (\$2.205m total savings), but not the Climate Change Commission appropriation. We are seeking your direction on whether you wish to submit these savings through the Budget 25 Baseline Savings Programme.

#	Description	Total savings (25/26 – 28/29)
1.	<p><b>Align future CCIEB funding with current levels</b> (CERF funding) – Budget 2024 returned \$1.395m of funding for the CCIEB over two years (2024/25 and 2025/26), with the work programme re-sized to match this funding level. This resource reduction could be extended to 2026/27 onwards.</p> <p>Appropriation: Climate Change Chief Executives Board (\$4.1m at HYEUFU 2024)</p>	\$2.085m
2.	<p><b>Return funding allocated for the Voluntary Carbon Market (VCM) project</b> (CERF funding) – the Ministry previously received funding to progress its VCM work. Some of this funding was returned in Budget 2024; \$1.972m funding remains. Given our resource constraints, our current plan is to commission a private provider to progress this work using this funding. This funding could also progress other priority work identified in the sustainable finance strategy.</p> <p>If all funding were returned, there would be an impact on our ability to deliver a VCM project that is also connected to our work on providing for additional forms of sequestration and a non-forest removals framework. However, a scaled back project focused on delivering the removals assessment pipeline / recognition framework could be progressed with reduced funding, and still provide a key platform for a market-led VCM.</p> <p>Appropriation: Managing Climate Change in New Zealand (\$51.5m at HYEUFU 2024)</p>	\$1.972m
3.	<p><b>Scale the Measuring Emissions Guide (MEG)</b> – The proposed savings could be found by scoping the update of the guide to focus on core sectors relevant to companies with External Reporting Board (XRB) obligations. This would see a reduction in annual production costs of approximately \$30k.</p> <p>In addition to the proposed savings, the MEG could be produced less frequently but we would not recommend this as it would have accuracy implications for the approximately 200 companies and government organisations with External Reporting Board (XRB) obligations that rely on its delivery.</p> <p>Appropriation: Managing Climate Change in New Zealand (\$51.5m at HYEUFU 2024)</p>	\$0.120m
	<b>TOTAL</b>	<b>\$4.177m</b>

### Further savings from the Managing Climate Change in New Zealand appropriation would require significant work programme trade-offs

19. Treasury have provided an early indication on the likely areas Minister Seymour will ask you to consider in any savings you choose to submit from the departmental appropriation funding the Ministry's work programme.
20. The opportunities for further savings we expect Minister Seymour to identify are likely to impact your ability to meet your statutory responsibilities under the CCRA and your climate change priorities.

21. If you choose to submit further savings in addition to those identified in the table at paragraph 18, it will have implications for the Ministry’s ability to support your priorities in the Climate Change work programme and may reduce the effectiveness and timing of work on the review and amendment of the CCRA to realise further savings in 2026.

Focus areas expected in Minister Seymour’s letter	Advice
<p><b>Climate change mitigation</b></p>	<p>The work in this area is driven by legislative requirements or international commitments and scaled to minimum viable product. This area is likely to support most of the work to review the CCRA and the 2050 target in 2025. Longer term savings in these areas are dependent on review and amendment of the CCRA and would not be available until at least Budget 26.</p> <p>Other work in this area includes Emission Reduction Plan (ERP2) priority actions and support for international obligations and engagement.</p> <p>ERP2 priority actions funded from this area include policy work to identify additional forms of sequestration, farm conversions to exotic forestry, afforestation on Crown land, and farm-level emissions measurement. These have already been scaled to minimum viable product and any savings would require stopping this work. These actions currently contribute to meeting emissions budgets and climate targets.</p> <p>Work to support international obligations and engagement is also scaled to minimum viable product. Any further reduction would require a reprioritisation conversation and likely reduce the level of negotiations MFE can support in your international work programme and require sequencing of any future international focussed policy work like establishing an Article 6 framework.</p>
<p><b>Māori climate action</b></p>	<p>The breakdown of funding provided to Minister Seymour showed an increase in funding for future years for this work area based on outdated modelling data. The funding increase shown is already being considered through Budget 25 as part of the offset for the Resource Management Implementation new spending initiative.</p> <p>Work in this area relates to meeting the Treaty of Waitangi section 3A requirements of the CCRA and is scaled to continue at minimum viable product.</p> <p>Work includes supporting the establishment of Māori climate action platform pilot projects and the Pou Take Āhuarangi joint work programme.</p> <p>There could be minor savings realised from reducing by 1 FTE from FY26/27 onward, following evaluation of pilot projects, as there would be no further non-departmental funding to administer. If a budget bid is progressed to expand on the pilots, you could seek the departmental funding needed to administer this work through that bid.</p>
<p><b>Data &amp; evidence - Land use and Carbon sequestration</b></p>	<p>This work programme delivers the Land Use and Carbon Sequestration monitoring, analysis, and research necessary to pass international scrutiny for the accounting of carbon stocks in New Zealand forests. The outcomes of this analysis are incorporated in progress towards our NDCs and are included in our Greenhouse Gas Inventory.</p>

<b>Focus areas expected in Minister Seymour's letter</b>	<b>Advice</b>
	<p>Work in this area is already scaled to minimal viable product following savings submitted through Budget 24.</p> <p>If the work was scaled further, there are risks that New Zealand could not properly account for the removals of 25% of our emissions. These removals have an estimated economic value of \$5-6bn. It would also impact the ability to progress proposals related to the forestry sector, and VCM.</p>
<b>Data &amp; Evidence - Emissions reporting and Climate Impacts</b>	<p>Work in this area is driven by legislative requirements under the CCRA and international obligations and includes production of the Greenhouse Gas Inventory, Biennial Transparency Reports under the Enhanced Transparency Framework, and supporting and participating in UNFCCC Transparency Expert Reviews (TERs).</p> <p>Work in this area is already scaled to minimal viable product following savings submitted through Budget 24 and any further reductions would compromise delivery of reporting under statutory and international obligations.</p>
<b>Programme management</b>	<p>To deliver savings through B24, the Ministry reviewed and updated its operating model to deliver resourcing efficiencies. This included scaling programme and project management resource to minimum viable product.</p> <p>Savings from this area would mean the climate change work programme would no longer receive programme management, project management or coordination support. Ministerial dashboards could no longer be developed, delivery risks may increase, and responsibility for day-to-day project and programme management would fall to climate change policy and data teams, requiring further work programme trade-offs.</p>

## Limited opportunity for immediate savings from the Climate Change Chief Executives Board

22. Savings have already been identified in the table at paragraph 18 for the CCIEB appropriation. The CCIEB work programme and resourcing has been scaled in order to achieve these savings.
23. Disestablishing the CCIEB would require the CCIEB work programme (including coordination, and reporting and monitoring for ERP1, ERP2, NAP and Target 9) to be transferred to the Ministry, so we think the scope for immediate savings is relatively small, or at least would require large trade offs against the Ministry's climate work programme.
24. If you were interested in further savings from the CCIEB we could look further at its operating model. This would be best progressed alongside and to the same timeframes as the CCRA review, as the review has the potential to reduce some of the current CCIEB workload.

## Limited savings are available through Budget 25 for the Climate Change Commission Appropriations

25. We expect that in the letter from Minister Seymour, he will ask you to consider whether the Commission has the appropriate amount of resource for its upcoming work programme and invite you to submit savings from this appropriation. We understand that the Treasury has also queried whether the Commission requires a flat appropriation over time given the variation in its statutory work programme year-to-year. The Commission's work to deliver its reports generally sits across more than one financial year. In the years where there are fewer statutory deliverables, the Commission undertakes preparatory work such as building capability and streamlining systems, ensuring its models are up to date and building the necessary evidence base. Variable funding levels is something that could be considered alongside the CCRA review.
26. The Commission was subject to significant baseline reductions as a result of Budget 24 decisions and recently undertook an organisational change process to ensure it can live within its means. The Commission has indicated that savings could be realised without further FTE reductions, structural and legislative change as part of Budget 25. However, these savings would not be substantial (up to \$0.500m) and would be a mix of one off and ongoing savings. There would be a range of governance and operational risks and trade offs associated with this level of savings (BRF-5779 refers). We recommend that savings from this appropriation be explored as part of the CCRA review rather than through Budget 25.
27. The Commission's main lever for responding to savings over and above this level would be descoping the breadth and depth of its reports, with resulting trade-offs to the usefulness of those reports in helping to guide the country to meet the obligations set out in the CCRA while reducing the risks of a changing climate. The Commission has advised that descoping its reports would also lead to an increased risk of judicial review. The current judicial review the Commission is involved in has cost around \$0.700m to date, which has been funded from within its baseline funding.
28. If you want to progress Budget 25 savings from this appropriation, we recommend you discuss this with the Chair, Dame Patsy Reddy, including the risks and trade-offs, before confirming the level of savings to be submitted.

## Next steps

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29. Officials are available to discuss this briefing with you on 17 February 2025. We require direction on savings you would like to progress as early as possible in order to complete the detailed templates that need to be submitted to Treasury by 1pm 21 February 2025.
30. Following your direction, we will provide your office with a draft letter to send Minister Seymour outlining that the primary opportunity for savings is Budget 2026 following review of the CCRA, and summarising any savings initiatives you choose to submit through Budget 2025.



## Briefing: Baseline Savings Exercise - draft response

Date submitted: 20 February 2025

Tracking number: BRF-5893

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
<i>Name and position</i>	<i>Action sought</i>	<i>Response by</i>
To Hon Simon WATTS <b>Minister of Climate Change</b>	<b>Provide feedback</b> on the draft response letter to Minister Seymour	12pm, Friday 21 February

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ).

Appendices and attachments
1. DRAFT MCC response – baseline savings exercise [by email]

Key contacts at Ministry for the Environment			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Hamish Slack		
Deputy Secretary	Sam Buckle	022 0340311	✓

Minister's comments

# Baseline Savings Exercise - draft response

## Key messages

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1. You received a letter from Hon David Seymour, Associate Minister of Finance, on 17 February regarding the Budget 2025 Baseline Savings Exercise. A response to this letter is due by Friday 21 February.
2. We have attached a draft response for you to consider. This is based on the direction we received from you at the Ministry for the Environment officials' meeting on Monday and our earlier briefings (BRF-5779 and BRF-5870 refers).
3. The draft letter provides two approaches in terms of savings to offer:
  - Option 1 – offer no savings, due to the non-discretionary nature of much of the work programme, the potential savings in the portfolio through other parts of the Budget 25 process, and the need to resource the Climate Change Response Act 2002 review.
  - Option 2 – offer \$2.865m (total over the forecast period), with savings from the Climate Change Chief Executives Board and the Voluntary Carbon Market project.
4. Minister Seymour's letter requested you consider savings from the Climate Change Commission as well as from departmental spending. The letter signals that you have considered options for savings from the Commission, and that you have not identified any meaningful savings. This is in line with our advice in BRF-5870.

## Recommendations

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We recommend that you:

a. **Provide feedback** on the draft response letter to Minister Seymour

Yes | No

b. **Note** a response to Minister Seymour is due by Friday 21 February

## Signatures

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Sam Buckle

**Deputy Secretary, Climate Change  
Mitigation and Resource Efficiency**

Date: 20 February 2025

Hon Simon WATTS

**Minister of Climate Change**

**Date:**

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.

**[OPTION 1:** 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 no opportunity to deliver further savings in the Baseline Savings Exercise.]

**[OPTION 2:** 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

Hon Simon Watts  
Minister of Climate Change



# Briefing: Establishing an Environmental Investment Fund

Date submitted: 25 February 2025

Sub Security level: **CLASSIFICATION**

MfE priority: Urgent

Actions sought from Ministers		
<i>Name and position</i>	<i>Action sought</i>	<i>Response by</i>
Hon Penny SIMMONDS <b>Minister for the Environment</b>	As per recommendations	3 March

Actions for Minister's office staff
<b>Return</b> signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ) <b>Forward</b> the briefing to other offices if the Minister agrees to share

Appendices and attachments
1. Key design features 2. Key risks and mitigations

Key contacts at Ministry for the Environment			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Peter Alsop	9(2)(a)	✓
Responsible Deputy Secretary	Anne Haira	0212464357	

Minister's comments

# Establishing an Environmental Investment Fund

## Key messages

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1. Through Budget 25, the Minister of Finance asked you to explore consolidation of environmental funds. This request was timely as, alongside some funds coming to an end (including Jobs for Nature funding), there is a need for an overall reset to simplify the investment landscape.
2. The desired shift is a move away from many small funds operating independently, to a consolidated investment ecosystem. By better directing investment through a single fund, we can better support the Government's strong focus on economic growth, fiscal management and public service performance. A broad fund would also be consistent with other key government investment areas.
3. As we've been discussing, there are options for how the Waste Disposal Levy is allocated, including potential support for a fund. We will provide a further update to support your informal discussion with the Minister of Finance. We will also prepare a Cabinet paper for your consideration in mid-March; this paper will provide a formal basis for agreements with the Minister of Finance ahead of Cabinet.
4. A fund would have multiple benefits, including more flexibility to maximise value for money, connect to priorities and recognise environmental interdependencies; a simpler and fairer 'one stop shop' for stakeholders; and stronger fiscal discipline and investment management. The Government's role in investment, an important lever for environmental improvement, can also 'crowd in' other capital.
5. To help bring the idea of a fund to life, we have advanced thinking on design principles and key design features, such as how investment areas, types and criteria could be specified. Your feedback on these key features is important.
6. The fund could accommodate your interest in catchment funding, as well as Treasury's interest in contaminated sites, with the advantage of such choices sitting within the strong foundations of a single fund. This coherence is how we best move the investment landscape ahead. Even if the fund commences without investment headroom, beyond the specific choices made through Budget 25, there would still be benefits from resetting and enhancing our investment arrangements.
7. In moving to a new fund, there is a choice as to how far to push consolidation across agencies. The Ministry supports rationalising its own landscape first (a pragmatic start), before exploring wider consolidation. While an even broader fund is an aspiration, cross-agency consolidation (including what is covered and who has decision rights) ideally needs time to work through.

## Recommendations

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We recommend that you:

- a. **agree** the environmental investment landscape needs to be reset, given a change in context and the desirability of a simpler, coherent approach to investment

Yes | No

- b. **agree**, as a key part of the reset, to pursue adoption of a broad investment fund through Budget 25, with the fund managed by the Ministry for the Environment

Yes | No

- c. **note** the Waste Disposal Levy could be used for the fund, with decisions on allocating the levy (including forecast headroom) required in late March (noting an overview of allocation options has also separately been shared with you)

- d. **note** the fund could accommodate your interest in catchment funding, as well as Treasury's interest in contaminated site investment, with the advantage of such choices sitting within the strong and coherent foundations of a single fund

- e. **agree** in principle to either:

(i) *Recommended* – commence a broad fund by first consolidating the Ministry's investment (followed by exploring wider consolidation across other agencies); or

Yes | No

(ii) *Higher risk* – explore wider consolidation with urgency now, noting likely different views on what is included and who should manage the fund

Yes | No

- f. **note** the key design features that define the overall shape of the fund and how it would operate, and the desirability of your feedback on this high-level design

- g. **note** that, to commence from 1 July 2025, a minimum viable product would be required, with additional design detail fleshed out as quickly as possible

- h. **agree** to provide this briefing to the Associate Minister for the Environment, Minister for Climate Change, Minister Responsible for RMA Reform and Minister of Finance, including to support ongoing Budget 25 discussions

Yes | No

- i. **meet** with officials to further discuss the potential of a fund and share feedback on any aspects of design work you may want to emphasise or see differently

Yes | No

## Signatures

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Peter Alsop  
Chief Advisor  
**Partnerships, Investment & Enablement**  
**25<sup>th</sup> February 2025**

Hon Penny SIMMONDS  
**Minister for the Environment**

**Date**

# Establishing an Environmental Investment Fund

## Purpose

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1. This briefing seeks your engagement on the design of a broad environmental investment fund, building on the interest expressed by you and other Ministers late last year (BRF-5672 refers). The briefing focuses on the opportunity and high-level fund design, strengthening a case for endorsement through Budget 25. There is an opportunity to act now to better connect environmental investment with the Government's wider aims, and make effective use of the Waste Disposal Levy.

## Context

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2. The environmental investment landscape is fragmented, siloed and inefficient, with multiple funds across agencies.
3. We are also approaching a significant reduction in the overall investment level. Jobs for Nature, a significant funding source, ends in June 2025. Several smaller investment funds are also coming to an end or recommended through Budget 25 work to be scaled back or stopped to better focus effort.
4. At the same time, there is an available funding stream for environmental investment, capitalising on the Government's Budget 2024 decision to widen uses of the Waste Disposal Levy. Significant surplus levy funding is forecast over the next few years (~\$348m over the four-year budget period<sup>1</sup>), with Ministers needing to shortly decide how best to allocate that funding for Budget 25.
5. We are therefore at a pivot point for the environmental investment landscape. There is a need for a fundamental reset, away from many small funds operating independently to a more consolidated and connected investment ecosystem.
6. Such an approach is consistent with other key government investment areas, such as Pharmac, NZTA and the recently announced science sector reforms.
7. It also aligns internationally, where many countries are mobilising environmental finance (whether private capital, philanthropy or better uses of government spend) to close the gap between current and necessary investment for environmental aims, including climate resilience. The Global Environment Facility and Ireland's Infrastructure, Climate and Nature Fund are examples of this push.

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<sup>1</sup> Includes estimated surplus from FY24/25

8. We are working to optimise the investment landscape, including adopting an investment framework (a way to better connect investment work); resetting an investment governance group; and, to help position New Zealand effectively, considering an optimal role for government to attract environmental finance. As such, the proposed fund in this paper is one important part of a wider reset.

## **Analysis and advice**

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### **The opportunity and key benefits**

9. The establishment of a broad investment fund would recognise the significant public value of the environment and provide a stronger platform to connect environmental investment to the Government's priorities and wider investment landscape. More specifically, a fund would support economic growth, fiscal management and public service performance by:
  - streamlining the investment landscape (consistent with the Minister of Finance's Budget 25 request), putting environmental investment on a simpler and more efficient, flexible and priority-focused footing
  - making effective use of the levy, capitalising on the Budget 24 decision to widen scope of the levy's use, including to secure savings in Crown expenditure
  - providing flexibility to allocate funding to maximise value for money (considering all benefits and costs) without the restriction of ring-fenced funds; this flexibility would also enable better connection of investments, including recognition of interdependencies within the environmental system
  - simplifying the landscape for stakeholders, creating a 'one stop shop' for investment that moves away from ring-fenced funds that favour some interests over others, and from different fund settings that add complexity and cost
  - strengthening fiscal discipline by focusing stakeholders on a single fund, reducing ad hoc funding requests that can circumvent robust prioritisation and risk overall expenditure growth
  - helping 'crowd in' other environmental finance through co-investment, recognising that incentives for private investment often need to be de-risked
  - supporting regulatory reform implementation, given investment can complement more targeted use of regulatory measures (a 'carrot and stick' balance)
  - improving the efficiency and effectiveness of the Ministry's investment management through a concentrated focus on a single high-performing fund.
10. Overall, a fund could help galvanise efforts to improve the environment across diverse organisations and interests. This would include stronger connections

across the investment landscape, such as with DoC, MPI, MBIE, regional government, the Infrastructure Commission and, once up and running, Invest NZ.

11. The Ministry envisages an initial focus on rationalising and enhancing its own investment landscape, followed by potential wider consolidation of funds across other agencies (as recommended by the Parliamentary Commissioner for the Environment). If you wanted a more ambitious approach right now, we could urgently explore this (noting many Ministers would also need to be involved).

## How could the investment fund be funded?

12. Budget 24 decisions widened scope of the levy's use to include activities that reduce environmental harm or increase environmental benefits.
13. Significant levy funding is forecast to be available for many years. We have provided you with a separate slide pack on levy allocation options, including the option of available levy funding supporting a new fund.
14. To establish a new fund, it is also important to have funding security. While significant levy funding is forecast to be available over the budget period, it is ultimately expected to reduce as waste is better managed (the levy's intent). The pace of this decline will be monitored, with multi-year forecasts supporting effective future planning. While needing careful consideration, the levy rate itself could also be increased (if a good case to further strengthen incentives for behaviour change).
15. Other environmental levies have also been considered over time, to incentivise behaviour change, and could widen the funding base. Crown funding, given investment is an important government lever for environmental improvement, is another option for longer term funding stability if required.

## Design principles

16. Design principles play an important role in keeping design intentional and aligned across workstreams, along with building public confidence in the design. Consistent with OAG guidance, we have been guided by the following principles:
  - **Simplicity** – the design will prioritise clarity and avoid unnecessary complexity.
  - **Interoperability** – the design will integrate with or support other environmental management initiatives to improve coherence and overall effectiveness.
  - **Inclusivity** – the design will prioritise openness, fairness and contestability, and always consider the interests of all groups to improve the fund's accessibility.
  - **Flexibility** – the design will support the fund's ability to evolve, including phased implementation and accommodating changes to priorities and funding.

- **Transparency** – the design will support information and insight being openly shared, including on performance of the fund, to help build confidence and knowledge amongst all stakeholders.
- **Integrity** – the design will ensure the fund operates with high standards of conduct and accountability, including robustness of investment choices.

## Design features

17. For any high-performing fund, key design features – the core architecture – need to be clear, including as important touchstones for managing a fund over time. The proposed key features are summarised below, with further detail in Appendix One. Your feedback is important, including on key matters like the investment areas.

- **Fund objective** – This is proposed to be *‘the best possible improvement in environmental outcomes’*. A focus on ‘best possible improvement’ underscores the importance of considering the relative value of options to maximise value.
- **Scope** – A broad scope is proposed (see the areas and types below), to be open to the most valuable investments and provide a level playing field by not advantaging some groups or investment types or pre-determining choices.
- **Investment areas** – Given a broad scope, categories would be needed within the fund to support investment management. Seven areas are proposed. This portfolio approach also recognises different specialties, contextual factors and stakeholder interests across environmental improvements.
- **Investment types** – These would help classify investments (such as delivery projects, research and capability development) and support effective investment management. Eight investment types are proposed.
- **Investment strategy** – The fund is proposed to give effect to an investment strategy, decided by Ministers. This is the opportunity for direction setting and emphasis of specific goals and priorities, both generally and for specific investment areas (flexing and pushing parts of the portfolio).
- **Governance** – Responsible Ministers would receive regular reports to oversee performance. Oversight of the Ministry’s fund management would be provided by an Investment Governance Committee, a reset of an existing committee.
- **Decision-making** – Further work is needed to decide appropriate delegations for decision-making. Under the Waste Minimisation Act (WMA), responsibility for investment decisions is split between the Minister and the Secretary.
- **Funding mechanisms** – The fund would have flexibility to use a range of allocation methods (eg. contestable v direct sourcing), as well as different commercial arrangements that supported getting the best value from the fund.

- **Eligibility** – A set of requirements would be needed to describe eligibility, such as whether co-investment is required (this is likely to be desirable) and whether smaller investments under a certain value would be considered.
- **Investment criteria** – These provide a common basis for assessing and comparing investment options, supporting fair and robust decisions. Eight criteria have been identified (e.g. environmental need, alignment and broader potential). The criteria together proxy how ‘value’ would be considered.

## Implementation pathway

18. The implementation pathway will depend on whether you favour consolidation of the Ministry’s investment first (our recommendation), or if you prefer to immediately explore a wider consolidation of funds across other agencies. Once clear, we will share a more detailed implementation pathway with you.
19. A phased implementation is desirable in our view to build stakeholder confidence; allow sufficient engagement with other agencies; ensure delivery continuity of existing funding programmes; and establish and bed in strong investment management practices for the new fund.
20. A fund could commence from 1 July 2025 with a minimum viable product (such as homing some existing funds within a new structure), with additional design detail then fleshed out. For example, the existing Waste Minimisation Fund (WMF) could, in effect, shift inside the new fund. Particular investment areas could also be prioritised to better focus commencement work.

## Te Tiriti analysis

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21. No Tiriti issues are currently envisaged. Management of the fund would have due regard to the interests of Māori, both as potential funding applicants and beneficiaries of environmental improvement.

## Other considerations

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### Consultation and engagement

22. We have been keeping Treasury abreast of our thinking. No consultation and engagement, given budget sensitivity, has yet been undertaken.

### Risks and mitigations

23. The key risks of a broad fund would be:

- the complexity of prioritisation across different investment areas and types
- the risk of funding being spread ‘too thin’ or not sufficiently focused
- ensuring there is security of funding over the longer term (discussed above)
- the risk of not optimising consolidation, either starting too narrow (missing opportunities for wider rationalisation and value gain) or being too ambitious before design issues across agencies are robustly worked through
- managing potential adverse reaction from waste stakeholders
- 9(2)(h) [redacted]  
[redacted]

24. We consider these risks can be managed. 9(2)(h) [redacted]  
Appendix 2 provides comment and mitigations for the other risks.

9(2)(h) [redacted]

[redacted]  
[redacted]  
[redacted]

[redacted]  
[redacted]  
[redacted]  
[redacted]

[redacted]  
[redacted]  
[redacted] 9(2)(h) [redacted]  
[redacted]  
[redacted]  
[redacted]

28. 9(2)(h) [redacted]  
[redacted]  
[redacted]

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<sup>2</sup> 9(2)(h) [redacted]  
[redacted]

<sup>4</sup> 9(2)(h) [redacted]  
[redacted]

9(2)(h)



## **Financial, regulatory and legislative implications**

29. There are financial implications, related to allocation options for the Waste Disposal Levy. Decisions will be made separately as part of Budget 25.
30. There are no regulatory or legislative implications, as a broad fund could be established without such intervention. There may be a need for publication of key fund settings via the Gazette; this is yet to be confirmed.
31. There is separate work underway related to possible amendment of the Waste Minimisation Act. This provides a vehicle for any legislative change if required.

## **Next steps**

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32. Meet with officials to provide feedback. A key topic to discuss is how far consolidation is pushed. Specific feedback is also desirable on the key design features to ensure our shaping of the fund aligns with your own thinking.
33. Forward the briefing to other Ministers to support deeper discussion on adoption of a fund in the context of Budget 25 decisions, including levy allocation.

## Appendix 1 – Key design features

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### Investment objective

1. The fund's objective is proposed to be '*the best possible improvement in environmental outcomes*'. This objective reflects the centrality of the environment to the social, economic and cultural fabric of New Zealand, and its fundamental underpinning of prosperity and wellbeing, now and for future generations. Improvements include investments that prevent or mitigate harm (i.e. improvements relative to what would otherwise occur). By focusing on 'the best possible improvement', the importance of considering the relative value of different investment options is also introduced.

### Scope

2. The fund is proposed to have broad scope to maintain openness to investment proposals of all kinds and to recognise interdependencies within environmental systems, both in terms of environmental effects (one impact leading to others) and how they are managed (the complementarity of activities). This scope would give flexibility for deciding what investments are most valuable. It also provides a level playing field by not advantaging some groups or investment types by restricting scope or pre-determining choices.

### Investment areas

3. Given the proposed broad scope, categories would be needed within the fund to support effective investment management; these 'investment areas' are discussed below. As a general rule, the allocation of funding across areas would not be pre-determined and instead depend on the relative value of investment options. If there was a strong case for pre-setting funding for a particular area, this could be decided by responsible Ministers through the investment strategy.
4. Setting 'investment areas' would signal the fund's core focus, as well as help organise activity and make investment management tractable across a broad range of environmental issues. While all investments seek to generate environmental value – the reason for a broad fund – the adoption of investment areas recognises different specialties, contextual factors and stakeholder interests across environmental improvements.
5. The following potential 'investment areas' have been identified (for further testing):
  - Boosting biodiversity
  - Improving management of land (incl. contaminated sites & vulnerable landfills)
  - Reducing emissions and pollutants
  - Reducing waste and increasing the recovery of value from waste

- Improving water quality
- Improving the sustainability of resource use
- Supporting community resilience and climate adaptation

### Investment types

6. Whereas investment *areas* relate to different aspects of environmental improvement, a classification of ‘investment types’ is proposed to encourage diverse investment activities and, again, to support effective investment management. Investments of different kinds can be expected and are important to pursuing value.

The following investment types are proposed, while remaining open to other investment options (to the extent anything is missed):

- **Delivery** – Investing in activity that directly reduces environmental harms or increases environmental benefits.
- **Infrastructure** – Investing in the development or enhancement of infrastructure that is a key and direct enabler of environmental improvement.
- **Investment case development** – Investing in the development of promising investment ideas and proposals (such as feasibility studies or enhancing business cases) that would otherwise receive insufficient focus or support.
- **Capability development** – Investing in the building of capability (of all kinds) that underpins, supports or leads to environmental improvement.
- **Awareness and behaviour change** – Investing in activities or initiatives to build awareness or influence behaviour of the public or specific groups that would lead to environmental improvements.
- **Innovation** – Investing in novel or experimental activities with a view to scaling and making breakthroughs (Note: such investments are inherently more speculative but can be important in a diversified portfolio that accepts different risk levels to pursue the best overall outcomes).
- **Research, data and knowledge** – Investing in the emergence or development of the information base needed to inform, support or evaluate environmental improvements.
- **System change** – Investing in initiatives that fundamentally change how economic and/or social activity operates, to better align actions of different parties towards environmental improvement (such as self-regulation and other sector-wide, pan-industry or multi-stakeholder initiatives).

## Investment strategy

7. At any time, the fund is proposed to give effect to an investment strategy, decided by Cabinet or Ministers and periodically refreshed, which sets overall direction and priorities for the fund.
8. Whereas some design features like investment areas and criteria give the fund longer term stability, investment strategies are the opportunity for shorter term emphasis of specific goals, priorities or areas of focus. Importantly, this includes scope for alignment to priorities of the government of the day. This process is also where important connections and opportunities across the investment landscape can be signalled or shaped, as well as highlighting what improvements will be pursued to enhance fund management capability.
9. While setting priorities is important for any fund – the opportunity to be strategic in what is pursued and why – care is also required to ensure priorities are broad and directional, to avoid deterring valuable investment options and/or pre-determining specific investments themselves.
10. As implementing a strategy takes time, it is envisaged a strategy would be developed every 3-4 years, while retaining flexibility for shorter renewals if required. Each strategy would be a public document, including the option of engaging with stakeholders as the strategy is developed.

## Governance

11. Responsible Ministers would receive regular reports on fund activity to oversee performance, including progress against the investment strategy set by Ministers. Oversight of the Ministry's fund management would be provided by an Investment Governance Committee (IGC) – a reset of an existing investment committee – with independent appointments alongside members from the Ministry (independent of the fund's operation) and other relevant government agencies. The Ministry's Audit & Risk Committee would also periodically review the fund's operation.

## Decision-making

12. Further work is needed to decide appropriate delegations for decision-making. Under the Waste Minimisation Act (WMA), responsibility for investment decisions is allocated across the Minister and the Secretary (dependent on the specific legal provision). Current work on potential amendments to the WMA is relevant; changes to underpin improved clarity of decision-making (if required) could be factored in.
13. Allocating funding across competing choices, including across specialist environmental domains, also requires expert knowledge. The Ministry successfully operates an Investment Advisory Panel for waste investments, including use of independent experts, and could broaden it to operate across other areas.
14. More broadly, the fund's operation would draw on well-established principles and approaches for effective investment management, including guidance and tools developed by other agencies and in the context of social investment. For example,

the appropriate level of diversification across investment areas and types, and across different regions, is important to consider, as are what commercial arrangements (e.g. grants, loans, equity) are best used to incentivise performance and manage risk.

## Eligibility

15. To determine who can make use of the fund, and within what parameters, a set of requirements would be needed to describe eligibility. Some factors would be administrative (such as being a legal entity), while others are key settings, such as whether co-investment is required and whether small investments (under a certain value) would be considered. Further work on these factors is needed. However finally determined, eligibility means just that: a party is eligible to receive funding. It is the role of investment criteria to determine whether a proposal is selected.

## Investment criteria

16. A set of investment criteria are needed to provide a common basis for assessing and comparing investment options, supporting fair and robust investment decisions. While further consideration is important, including testing with stakeholders, an early version of potential criteria is set out below. Taken together, the criteria would reflect the overall expression of value that decisions would be based on.

- **Need** – *The environmental case for pursuing improvement is well understood*

Investment proposals should be based on an understanding of environmental need, such as the significance, urgency or criticality of improvements to the functioning, sustainability and long-term benefits of the environment.

- **Change logic** – *Clarity of how changes will be achieved and sustained*

While evidence-based investment proposals are important, inherent evidential challenges related to ecosystems means that clear and strong intervention logic is critical to describe how change will be achieved and sustained.

- **Value for Money** – *Expected benefits (environmental and more broadly) significantly exceed costs*

Expected benefits should significantly exceed costs (even if expressed in qualitative terms given data limitations). Importantly, value would be considered in relative terms (the value of one option relative to another) to support making the best investment choices. With respect to benefits, environmental benefits would be central to investments, reflecting the fund's core purpose, while recognising that economic and other broader benefits are also central to value.

- **Alignment** – *Connections with the fund investment strategy*

Investment proposals would be assessed with respect to their alignment with the fund's current investment strategy.

- **Additionality** – *Additional outcomes from investment are clear from those otherwise expected to occur*

As the fund exists to incentivise additional environmental improvements, investment proposals would be assessed based on their ability to deliver additional activities and outcomes from those otherwise expected to occur.

- **Support base** – *Sufficient co-investment or involvement from others*

Significant change often requires team play, such that investment proposals should have sufficient co-investment or involvement from others to support success. If there are organisations or groups who stand to significantly benefit from investments (as distinct from diffuse beneficiaries who benefit in smaller or less direct ways), such parties would also be expected to co-invest.

- **Ability to deliver** – *Confidence in capabilities to deliver the investment promise*

Investment proposals should demonstrate that capability (of all kinds, such as project governance, risk management and monitoring) exists or would be in place to effectively implement the investment and secure outcomes.

- **Broader potential** – *Potential for multiplier effects with other initiatives, now or in the future*

The value of investment proposals can be enhanced through connections, integration or future options. This could include scope for investments (where relevant) to generate credits or offset units, supporting integrated environmental management. Connections with social investment would also be encouraged, given strong links between environmental and social outcomes.

17. These criteria need further testing as design work evolves. While a single core set is critical – for fairness to all interests and to enable comparison of options – more detailed assessment methods and frameworks are also likely to be needed within investment areas and investment types, recognising the specialist nature of different aspects of environmental improvement.

## Appendix 2 – Key risks and mitigations

Risk	Mitigation / Comment
<p><b>Complexity of prioritisation</b> A strength of a broad fund is flexibility to make choices that maximise value, balanced against the risk (and potential criticism from some interests) that comparing investment options across different investment areas and types is “too hard or unfair”.</p>	<p>Making choices across competing investment options often entails significant judgment and is not an exact science. At present, funding is allocated (ie. prioritised) across several small, ring-fenced funds, <i>without</i> regard to the relative value of investment options in different areas. With a broad fund, prioritisation decisions – while difficult – would be made explicitly having considered the relative value of choices. In this way, better value for money can be secured. Clear investment criteria would ensure a common basis for assessing investment options, supporting comparability. Decision making would also draw on expert advice.</p>
<p><b>Spreading too thin</b> There is a tension between the desirability of a broad scope – to pursue highest value improvements – with the risk of investment being spread too thin or not having sustained impact in some areas.</p>	<p>This is an inherent challenge for any investment portfolio. The adoption and focus on explicit investment areas would help manage this risk (such as monitoring portfolio composition), as would the setting of an investment strategy that can give emphasis to specific investment areas. This said, there will always be stakeholder segments, interested in particular aspects of the environment, that claim under-investment (both in total dollars and relative to other areas).</p>
<p><b>Scope of consolidation</b> With a focus on a broad fund, there are risks from both insufficient consolidation (not pushing the reset far enough) and being too ambitious (or moving too quickly) across multiple agencies.</p>	<p>The Ministry favours a first step of rationalising its own investment landscape, ahead of work (potentially for Budget 26) to better explore wider consolidation. There has been insufficient wider work to date. The Ministry’s own landscape, given fragmentation and different settings, is complex and lacks coherence such that there would be significant benefits from starting ‘at home’. There would also likely be learning and risk management benefits from a phased approach.</p>
<p><b>Funding security</b> Commitment to a fund would require an ongoing funding stream, and confidence funding would remain available.</p>	<p>There is forecast headroom in the Waste Disposal Levy for the 4-year budget period. Over time, the levy is expected to be reduced as waste is better managed; forecasting would monitor this risk ahead of time. The levy rate could be increased. Other levies (a broader base of levy payers) could also be considered, as could Crown funding.</p>
<p><b>Adverse reaction from waste stakeholders</b> Wider uses of the Waste Disposal Levy will likely attract criticism from waste stakeholders.</p>	<p>Budget 24 (and amendment to the Act) widened permissible uses of the levy, with some additional activities (eg. Kaipara Moana) brought within. Further movement of this kind, including a broad fund, risks adverse reaction from waste stakeholders who would prefer investment tightly related to waste. 9(2)(h) [REDACTED], this is fundamentally a communications risk. It would be possible to reduce the risk by ensuring a significant proportion of the levy is spent on waste investments.</p>



## Briefing: Establishing an Environmental Investment Fund

Date submitted: 26 February 2025

Sub Security level: **CLASSIFICATION**

MfE priority: Urgent

Actions sought from Ministers		
<i>Name and position</i>	<i>Action sought</i>	<i>Response by</i>
Hon Penny SIMMONDS <b>Minister for the Environment</b>	As per recommendations	3 March

Actions for Minister's office staff
<b>Return</b> signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ) <b>Forward</b> the briefing to other offices if the Minister agrees to share

Appendices and attachments
1. Key design features 2. Key risks and mitigations

Key contacts at Ministry for the Environment			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Peter Alsop	9(2)(a)	✓
Responsible Deputy Secretary	Anne Haira	0212464357	

Minister's comments

# Establishing an Environmental Investment Fund

## Key messages

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1. Through Budget 25, the Minister of Finance asked you to explore consolidation of environmental funds. This request was timely as, alongside some funds coming to an end (including Jobs for Nature funding), there is a need for an overall reset to simplify the investment landscape.
2. The desired shift is a move away from many small funds operating independently, to a consolidated investment ecosystem. By directing investment through a single fund, we can better support the Government's strong focus on economic growth, fiscal management and public service performance. A broad fund would also be consistent with other key government investment areas.
3. There are options for how the Waste Disposal Levy is allocated, including potential support for a consolidated fund. We will provide a further update to support your informal discussion with the Minister of Finance. You will also receive a Cabinet paper for your consideration in mid-March; this paper will provide a formal basis for agreements with the Minister of Finance ahead of Cabinet.
4. A consolidated fund would have multiple benefits, including more flexibility to maximise value for money, connect to priorities and recognise environmental interdependencies; a simpler and fairer 'one stop shop' for stakeholders; and stronger fiscal discipline and investment management. The Government's role in investment, an important lever for environmental improvement, can also 'crowd in' other capital.
5. To help bring the idea of such a fund to life, we have advanced thinking on design principles and key design features, such as how investment areas, types and criteria could be specified. Your feedback on these key features is important.
6. The fund could accommodate your interest in catchment-level funding, as well as Treasury's interest in contaminated sites, with the advantage of such choices sitting within the strong foundations of a single fund. This coherence is how we best move the investment landscape ahead. Even if the fund commences without investment headroom, beyond the specific choices made through Budget 25, there would still be benefits from resetting and enhancing our investment arrangements.
7. There is a choice as to how far to push consolidation across agencies: start with rationalising the Ministry's own landscape first, or urgently explore wider consolidation across agencies. While an even broader fund is an aspiration, cross-agency consolidation ideally needs more time to work through, including what is covered and who has decision rights.

## Recommendations

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We recommend that you:

- a. **agree** the environmental investment landscape needs to be reset, given a change in context and the desirability of a simpler, coherent approach to investment

Yes | No

- b. **agree**, as a key part of the reset, to pursue adoption of a broad investment fund through Budget 25, with the fund managed by the Ministry for the Environment

Yes | No

- c. **note** the Waste Disposal Levy could be used for the fund, with decisions on allocating the levy (including forecast headroom) required in late March (noting an overview of allocation options has also separately been shared with you)

- d. **note** the fund could accommodate your interest in catchment-level funding, as well as Treasury's interest in contaminated site investment, with the advantage of such choices sitting within the strong and coherent foundations of a single fund

- e. **agree** in principle to either:

- (i) commence a broad fund by first consolidating the Ministry's investment (followed by exploring wider consolidation across other agencies); or

Yes | No

- (ii) explore wider consolidation with urgency now, noting a range of implementation issues are likely to arise, including likely different views on what is included and who should manage the fund

Yes | No

- f. **note** the key design features that define the overall shape of the fund and how it would operate and the importance of your feedback on this high-level design

- g. **note** that, to commence from 1 July 2025, a minimum viable product would be required, with additional design detail fleshed out as quickly as possible

- h. **agree** to provide this briefing to the Associate Minister for the Environment, Minister for Climate Change, Minister Responsible for RMA Reform and Minister of Finance, including to support ongoing Budget 25 discussions

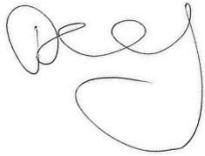
Yes | No

- i. **meet** with officials to further discuss the proposed fund and share feedback on any aspects of design work you may want to emphasise or see differently

Yes | No

## Signatures

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Peter Alsop  
Chief Advisor  
**Partnerships, Investment & Enablement**  
**26 February 2025**

Hon Penny SIMMONDS  
**Minister for the Environment**

**Date**

# Establishing an Environmental Investment Fund

## Purpose

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1. This briefing seeks your engagement on the design of a broad environmental investment fund, building on the interest expressed by you and other Ministers late last year (BRF-5672 refers). The briefing focuses on the opportunity and high-level fund design, strengthening a case for endorsement through Budget 25. There is an opportunity to act now to better connect environmental investment with the Government's wider aims and make effective use of the Waste Disposal Levy.

## Context

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2. The environmental investment landscape is fragmented, siloed and inefficient, with multiple funds across agencies.
3. We are also approaching a significant reduction in the overall investment level. Jobs for Nature, a significant funding source, ends in June 2025. Several smaller investment funds are also coming to an end or recommended through Budget 25 work to be scaled back or stopped to better focus effort.
4. At the same time, there is an available funding stream for environmental investment, capitalising on the Government's Budget 2024 decision to widen uses of the Waste Disposal Levy. Significant surplus levy funding is forecast over the next few years (~\$348m over the four-year budget period<sup>1</sup>), with Ministers needing to shortly decide how best to allocate that funding for Budget 25.
5. We are therefore at a pivot point for the environmental investment landscape. There is a need for a fundamental reset, away from many small funds operating independently to a more consolidated and connected investment ecosystem.
6. Such an approach is consistent with other key government investment areas, such as Pharmac, NZTA and the recently announced science sector reforms.
7. It also aligns internationally, where many countries are mobilising environmental finance (whether private capital, philanthropy or better uses of government spend) to close the gap between current and necessary investment for environmental aims, including climate resilience. The Global Environment Facility and Ireland's Infrastructure, Climate and Nature Fund are examples of this push.

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<sup>1</sup> Includes estimated surplus from FY24/25 [\(central government portion only\)](#)

8. We are working to optimise the investment landscape, including adopting an investment framework (a way to better connect investment work); resetting an investment governance group; and, to help position New Zealand effectively, considering an optimal role for government to attract environmental finance. As such, the proposed fund in this paper is one important part of a wider reset.

## **Analysis and advice**

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### **The opportunity and key benefits**

9. A consolidated investment fund would recognise the significant public value of the environment and provide a stronger platform to connect environmental investment to the Government's priorities and wider investment landscape. More specifically, the fund would better support economic growth, fiscal management and public service performance by:
  - streamlining the investment landscape (consistent with the Minister of Finance's Budget 25 request), putting environmental investment on a simpler and more efficient, flexible and priority-focused footing
  - making effective use of the levy, capitalising on the Budget 24 decision to widen scope of the levy's use, including to secure savings in Crown expenditure
  - providing flexibility to allocate funding to maximise value for money (considering all benefits and costs) without the restriction of ring-fenced funds; this flexibility would also enable better connection of investments, including recognition of interdependencies within the environmental system
  - simplifying the landscape for stakeholders, creating a 'one stop shop' for investment that moves away from ring-fenced funds that favour some interests over others, and from different fund settings that add complexity and cost
  - strengthening fiscal discipline by focusing stakeholders on a single fund, reducing ad hoc funding requests that can circumvent robust prioritisation and risk overall expenditure growth
  - helping 'crowd in' other environmental finance through co-investment, recognising that incentives for private investment often need to be de-risked
  - supporting regulatory reform implementation, given investment can complement more targeted use of regulatory measures (a 'carrot and stick' balance)
  - improving the efficiency and effectiveness of the Ministry's investment management through a concentrated focus on a single high-performing fund.

10. Overall, a consolidated fund could help galvanise efforts to improve the environment across diverse organisations and interests. This would include stronger connections across the investment landscape, such as with the Department of Conservation, the Ministry for Primary Industries, the Ministry of Business, Innovation and Employment, regional government, the Infrastructure Commission and, once up and running, Invest NZ.

## How could the investment fund be funded?

11. Budget 24 decisions widened scope of the levy's use to include activities that reduce environmental harm or increase environmental benefits.
12. Significant levy funding is forecast to be available for many years. We have provided you with a separate slide pack on levy allocation options, including the option of available levy funding supporting a consolidated fund.
13. To establish such a fund, it is also important to have funding security. While significant levy funding is forecast to be available over the budget period, it is ultimately expected to reduce as waste is better managed (the levy's intent). The pace of this decline will be monitored, with multi-year forecasts supporting effective future planning. While needing careful consideration, the levy rate itself could also be increased (if a good case to further strengthen incentives for behaviour change).
14. Other environmental levies have also been considered over time to incentivise behaviour change, and could widen the funding base. Crown funding, given investment is an important government lever for environmental improvement, is another option for longer term funding stability if required.

## Design principles

15. Design principles play an important role in keeping design intentional and aligned across workstreams, along with building public confidence. Consistent with Office of the Auditor-General guidance, we have been guided by the following principles:
  - **Simplicity** – the design will prioritise clarity and avoid unnecessary complexity.
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## Design features

16. For any high-performing fund, key design features – the core architecture – need to be clear, including as important touchstones for managing a fund over time. The proposed key features are summarised below, with further detail in Appendix One. Your feedback is important, including on key matters like the investment areas.

- **Fund objective** – This is proposed to be *‘the best possible improvement in environmental outcomes’*. A focus on ‘best possible improvement’ underscores the importance of considering the relative value of options to maximise value.
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- **Governance** – Responsible Ministers would receive regular reports to oversee performance. Oversight of the Ministry’s fund management would be provided by an Investment Governance Committee, a reset of an existing committee.
- **Decision-making** – Further work is needed to decide appropriate delegations for decision-making. Under the Waste Minimisation Act (WMA), responsibility for investment decisions is split between the Minister and the Secretary.

- **Funding mechanisms** – The fund would have flexibility to use a range of allocation methods (eg. contestable v direct sourcing), as well as different commercial arrangements that supported getting the best value from the fund.
- **Eligibility** – A set of requirements would be needed to describe eligibility, such as whether co-investment is required (this is likely to be desirable) and whether smaller investments under a certain value would be considered.
- **Investment criteria** – These provide a common basis for assessing and comparing investment options, supporting fair and robust decisions. Eight criteria have been identified (e.g. environmental need, alignment and broader potential). The criteria together proxy how ‘value’ would be considered.

## Implementation pathway

17. The implementation pathway will depend on whether you favour consolidation of the Ministry’s investment first, or if you prefer to immediately explore a wider consolidation of funds across other agencies (as recommended by the Parliamentary Commissioner for the Environment). Once clear, we will share a more detailed implementation pathway with you.
18. A phased implementation would give more time for engagement with other agencies (recognising a range of likely implementation issues); ensure delivery continuity of existing funding programmes; build stakeholder confidence by pacing consolidation; and establish and bed in strong investment management practices for the new fund.
19. A fund could commence from 1 July 2025 with a minimum viable product (such as homing some existing funds within a new structure), with additional design detail then fleshed out. For example, the existing Waste Minimisation Fund (WMF) could, in effect, shift inside the new fund. Particular investment areas could also be prioritised to better focus commencement work.

## Te Tiriti analysis

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20. No Tiriti issues are currently envisaged. Management of the fund would have due regard to the interests of Māori, both as potential funding applicants and beneficiaries of environmental improvement.

## Other considerations

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### Consultation and engagement

21. We have been keeping The Treasury abreast of our thinking. No consultation and engagement, given budget sensitivity, has yet been undertaken.

### Risks and mitigations

22. The key risks of a broad fund would be:

- the complexity of prioritisation across different investment areas and types
- the risk of funding being spread 'too thin' or not sufficiently focused
- ensuring there is security of funding over the longer term (discussed above)
- the risk of not optimising consolidation, either starting too narrow (missing opportunities for wider rationalisation and value gain) or being too ambitious before design issues across agencies are robustly worked through
- managing potential adverse reaction from waste stakeholders
- 9(2)(h) [redacted]

23. We consider these risks can be managed. 9(2)(h) [redacted]  
Appendix 2 provides comment and mitigations for the other risks.

9(2)(h) [redacted]

[redacted]  
[redacted]  
[redacted]

[redacted]  
[redacted]  
[redacted]  
[redacted]

[redacted]  
[redacted]  
[redacted]

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<sup>2</sup> 9(2)(h) [redacted]

<sup>9(2)</sup> 9(2)(h)

27. 9(2)(h)

## Financial, regulatory and legislative implications

28. There are financial implications, related to allocation options for the Waste Disposal Levy. Decisions will be made separately as part of Budget 25.
29. There are no regulatory or legislative implications, as a broad fund could be established without such intervention. There may be a need for publication of key fund settings via the Gazette; this is yet to be confirmed.
30. There is separate work underway related to possible amendment of the Waste Minimisation Act. This provides a vehicle for any legislative change if required.

## Next steps

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31. Meet with officials to provide feedback. A key topic to discuss is how far consolidation is pushed. Specific feedback is also desirable on the key design features to ensure our shaping of the fund aligns with your own thinking.
32. Forward the briefing to other Ministers to support deeper discussion on adoption of a fund in the context of Budget 25 decisions, including levy allocation.

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<sup>3</sup> 9(2)(h)

<sup>4</sup> 9(2)(h)

## Appendix 1 – Key design features

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### Investment objective

1. The fund's objective is proposed to be '*the best possible improvement in environmental outcomes*'. This objective reflects the centrality of the environment to the social, economic and cultural fabric of New Zealand, and its fundamental underpinning of prosperity and wellbeing, now and for future generations. Improvements include investments that prevent or mitigate harm (i.e. improvements relative to what would otherwise occur). By focusing on 'the best possible improvement', the importance of considering the relative value of different investment options is also introduced.

### Scope

2. The fund is proposed to have broad scope to maintain openness to investment proposals of all kinds and to recognise interdependencies within environmental systems, both in terms of environmental effects (one impact leading to others) and how they are managed (the complementarity of activities). This scope would give flexibility for deciding what investments are most valuable. It also provides a level playing field by not advantaging some groups or investment types by restricting scope or pre-determining choices.

### Investment areas

3. Given the proposed broad scope, categories would be needed within the fund to support effective investment management; these 'investment areas' are discussed below. As a general rule, the allocation of funding across areas would not be pre-determined and instead depend on the relative value of investment options. If there was a strong case for pre-setting funding for a particular area, this could be decided by responsible Ministers through the investment strategy.
4. Setting 'investment areas' would signal the fund's core focus, as well as help organise activity and make investment management tractable across a broad range of environmental issues. While all investments seek to generate environmental value – the reason for a broad fund – the adoption of investment areas recognises different specialties, contextual factors and stakeholder interests across environmental improvements.
5. The following potential 'investment areas' have been identified (for further testing):
  - Boosting biodiversity
  - Improving management of land (incl. contaminated sites & vulnerable landfills)
  - Reducing emissions and pollutants
  - Reducing waste and increasing the recovery of value from waste

- Improving water quality
- Improving the sustainability of resource use
- Supporting community resilience and climate adaptation

### Investment types

6. Whereas investment *areas* relate to different aspects of environmental improvement, a classification of ‘investment types’ is proposed to encourage diverse investment activities and, again, to support effective investment management. Investments of different kinds can be expected and are important to pursuing value.

The following investment types are proposed, while remaining open to other investment options (to the extent anything is missed):

- **Delivery** – Investing in activity that directly reduces environmental harms or increases environmental benefits.
- **Infrastructure** – Investing in the development or enhancement of infrastructure that is a key and direct enabler of environmental improvement.
- **Investment case development** – Investing in the development of promising investment ideas and proposals (such as feasibility studies or enhancing business cases) that would otherwise receive insufficient focus or support.
- **Capability development** – Investing in the building of capability (of all kinds) that underpins, supports or leads to environmental improvement.
- **Awareness and behaviour change** – Investing in activities or initiatives to build awareness or influence behaviour of the public or specific groups that would lead to environmental improvements.
- **Innovation** – Investing in novel or experimental activities with a view to scaling and making breakthroughs (Note: such investments are inherently more speculative but can be important in a diversified portfolio that accepts different risk levels to pursue the best overall outcomes).
- **Research, data and knowledge** – Investing in the emergence or development of the information base needed to inform, support or evaluate environmental improvements.
- **System change** – Investing in initiatives that fundamentally change how economic and/or social activity operates, to better align actions of different parties towards environmental improvement (such as self-regulation and other sector-wide, pan-industry or multi-stakeholder initiatives).

## Investment strategy

7. At any time, the fund is proposed to give effect to an investment strategy, decided by Cabinet or Ministers and periodically refreshed, which sets overall direction and priorities for the fund.
8. Whereas some design features like investment areas and criteria give the fund longer term stability, investment strategies are the opportunity for shorter term emphasis of specific goals, priorities or areas of focus. Importantly, this includes scope for alignment to priorities of the government of the day. This process is also where important connections and opportunities across the investment landscape can be signalled or shaped, as well as highlighting what improvements will be pursued to enhance fund management capability.
9. While setting priorities is important for any fund – the opportunity to be strategic in what is pursued and why – care is also required to ensure priorities are broad and directional, to avoid deterring valuable investment options and/or pre-determining specific investments themselves.
10. As implementing a strategy takes time, it is envisaged a strategy would be developed every 3-4 years, while retaining flexibility for shorter renewals if required. Each strategy would be a public document, including the option of engaging with stakeholders as the strategy is developed.

## Governance

11. Responsible Ministers would receive regular reports on fund activity to oversee performance, including progress against the investment strategy set by Ministers. Oversight of the Ministry's fund management would be provided by an Investment Governance Committee (IGC) – a reset of an existing investment committee – with independent appointments alongside members from the Ministry (independent of the fund's operation) and other relevant government agencies. The Ministry's Audit & Risk Committee would also periodically review the fund's operation.

## Decision-making

12. Further work is needed to decide appropriate delegations for decision-making. Under the Waste Minimisation Act (WMA), responsibility for investment decisions is allocated across the Minister and the Secretary (dependent on the specific legal provision). Current work on potential amendments to the WMA is relevant; changes to underpin improved clarity of decision-making (if required) could be factored in.
13. Allocating funding across competing choices, including across specialist environmental domains, also requires expert knowledge. The Ministry successfully operates an Investment Advisory Panel for waste investments, including use of independent experts, and could broaden it to operate across other areas.
14. More broadly, the fund's operation would draw on well-established principles and approaches for effective investment management, including guidance and tools developed by other agencies and in the context of social investment. For example,

the appropriate level of diversification across investment areas and types, and across different regions, is important to consider, as are what commercial arrangements (e.g. grants, loans, equity) are best used to incentivise performance and manage risk.

## Eligibility

15. To determine who can make use of the fund, and within what parameters, a set of requirements would be needed to describe eligibility. Some factors would be administrative (such as being a legal entity), while others are key settings, such as whether co-investment is required and whether small investments (under a certain value) would be considered. Further work on these factors is needed. However finally determined, eligibility means just that: a party is eligible to receive funding. It is the role of investment criteria to determine whether a proposal is selected.

## Investment criteria

16. A set of investment criteria are needed to provide a common basis for assessing and comparing investment options, supporting fair and robust investment decisions. While further consideration is important, including testing with stakeholders, an early version of potential criteria is set out below. Taken together, the criteria would reflect the overall expression of value that decisions would be based on.

- **Need** – *The environmental case for pursuing improvement is well understood*

Investment proposals should be based on an understanding of environmental need, such as the significance, urgency or criticality of improvements to the functioning, sustainability and long-term benefits of the environment.

- **Change logic** – *Clarity of how changes will be achieved and sustained*

While evidence-based investment proposals are important, inherent evidential challenges related to ecosystems means that clear and strong intervention logic is critical to describe how change will be achieved and sustained.

- **Value for Money** – *Expected benefits (environmental and more broadly) significantly exceed costs*

Expected benefits should significantly exceed costs (even if expressed in qualitative terms given data limitations). Importantly, value would be considered in relative terms (the value of one option relative to another) to support making the best investment choices. With respect to benefits, environmental benefits would be central to investments, reflecting the fund's core purpose, while recognising that economic and other broader benefits are also central to value.

- **Alignment** – *Connections with the fund investment strategy*

Investment proposals would be assessed with respect to their alignment with the fund's current investment strategy.

- **Additionality** – *Additional outcomes from investment are clear from those otherwise expected to occur*

As the fund exists to incentivise additional environmental improvements, investment proposals would be assessed based on their ability to deliver additional activities and outcomes from those otherwise expected to occur.

- **Support base** – *Sufficient co-investment or involvement from others*

Significant change often requires team play, such that investment proposals should have sufficient co-investment or involvement from others to support success. If there are organisations or groups who stand to significantly benefit from investments (as distinct from diffuse beneficiaries who benefit in smaller or less direct ways), such parties would also be expected to co-invest.

- **Ability to deliver** – *Confidence in capabilities to deliver the investment promise*

Investment proposals should demonstrate that capability (of all kinds, such as project governance, risk management and monitoring) exists or would be in place to effectively implement the investment and secure outcomes.

- **Broader potential** – *Potential for multiplier effects with other initiatives, now or in the future*

The value of investment proposals can be enhanced through connections, integration or future options. This could include scope for investments (where relevant) to generate credits or offset units, supporting integrated environmental management. Connections with social investment would also be encouraged, given strong links between environmental and social outcomes.

17. These criteria need further testing as design work evolves. While a single core set is critical – for fairness to all interests and to enable comparison of options – more detailed assessment methods and frameworks are also likely to be needed within investment areas and investment types, recognising the specialist nature of different aspects of environmental improvement.

## Appendix 2 – Key risks and mitigations

Risk	Mitigation / Comment
<p><b>Complexity of prioritisation</b> A strength of a broad fund is flexibility to make choices that maximise value, balanced against the risk (and potential criticism from some interests) that comparing investment options across different investment areas and types is “too hard or unfair”.</p>	<p>Making choices across competing investment options often entails significant judgment and is not an exact science. At present, funding is allocated (ie. prioritised) across several small, ring-fenced funds, <i>without</i> regard to the relative value of investment options in different areas. With a broad fund, prioritisation decisions – while difficult – would be made explicitly having considered the relative value of choices. In this way, better value for money can be secured. Clear investment criteria would ensure a common basis for assessing investment options, supporting comparability. Decision making would also draw on expert advice.</p>
<p><b>Spreading too thin</b> There is a tension between the desirability of a broad scope – to pursue highest value improvements – with the risk of investment being spread too thin or not having sustained impact in some areas.</p>	<p>This is an inherent challenge for any investment portfolio. The adoption and focus on explicit investment areas would help manage this risk (such as monitoring portfolio composition), as would the setting of an investment strategy that can give emphasis to specific investment areas. This said, there will always be stakeholder segments, interested in particular aspects of the environment, that claim under-investment (both in total dollars and relative to other areas).</p>
<p><b>Scope of consolidation</b> With a focus on a broad fund, there are risks from both insufficient consolidation (not pushing the reset far enough) and being too ambitious (or moving too quickly) across multiple agencies.</p>	<p>The Ministry favours a first step of rationalising its own investment landscape, ahead of work (potentially for Budget 26) to better explore wider consolidation. There has been insufficient wider work to date. The Ministry’s own landscape, given fragmentation and different settings, is complex and lacks coherence such that there would be significant benefits from starting ‘at home’. There would also likely be learning and risk management benefits from a phased approach.</p>
<p><b>Funding security</b> Commitment to a fund would require an ongoing funding stream, and confidence funding would remain available.</p>	<p>There is forecast headroom in the Waste Disposal Levy for the 4-year budget period. Over time, the levy is expected to be reduced as waste is better managed; forecasting would monitor this risk ahead of time. The levy rate could be increased. Other levies (a broader base of levy payers) could also be considered, as could Crown funding.</p>
<p><b>Adverse reaction from waste stakeholders</b> Wider uses of the Waste Disposal Levy will likely attract criticism from waste stakeholders.</p>	<p>Budget 24 (and amendment to the Act) widened permissible uses of the levy, with some additional activities (eg. Kaipara Moana) brought within. Further movement of this kind, including a broad fund, risks adverse reaction from waste stakeholders who would prefer investment tightly related to waste. 9(2)(h) this is fundamentally a communications risk. It would be possible to reduce the risk by ensuring a significant proportion of the levy is spent on waste investments.</p>



## Briefing: Estimates documents for final approval

**Date submitted:** 10 April 2025

**Tracking number:** BRF-5945

**Sub Security level:** Sensitive

**MfE priority:** Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Simon WATTS <b>Minister of Climate Change</b>	Approve, Sign and forward attached letters	By 11 am on Tuesday, 15 April 2025

Actions for Minister's office staff
<b>Forward</b> the signed copies of the letters to the Minister for the Environment's office by 11 am on Tuesday, 15 April 2025.
<b>Return</b> the signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ).

Appendices and attachments
<ol style="list-style-type: none"><li>Estimates of Appropriations 2025/26</li><li>Supplementary Estimates of Appropriations 2024/25</li><li>Changes to performance measures in the Supplementary Estimates and Estimates for Environment related appropriations</li><li>Changes to performance measures in the Supplementary Estimates and Estimates for Climate Change related appropriations</li><li>Ministerial Certification Letters for signing<ul style="list-style-type: none"><li>Estimates of Appropriations 2025/26</li><li>Supplementary Estimates of Appropriations 2024/25</li></ul></li><li>Signed Certification Letters from the Ministry's Chief Executive<ul style="list-style-type: none"><li>Estimates of Appropriations 2025/26</li><li>Supplementary Estimates of Appropriations 2024/25</li></ul></li><li>Specific Fiscal Risks document – for information only</li></ol>

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Mukesh Vakharia	9(2)(a)	
Responsible Manager	Amanda Thompson	9(2)(a)	
General Manager	Kathleen Mackie	027 2477 783	✓

Minister's comments
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# Estimates documents for final approval

## Key messages

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1. This briefing seeks your approval of the Climate Change related appropriations within Vote Environment's Estimates documents, including the 2024/25 Supplementary Estimates and 2025/26 Estimates that you are responsible for. These documents are also forwarded to Minister Simmonds for her approval as she is responsible for the entire Vote.
2. The Estimates are a core part of the Budget and accountability cycle. Estimates documents describe your intentions and spending plans for next year (2025/26). The Supplementary Estimates describe changes in 2024/25 and the reasons for them.
3. These documents are the public record of decisions made through the Baseline Updates and decisions on budget initiatives. They provide the first opportunity for Parliament and the public to scrutinise your spending plans for 2025/26 and form the basis of the Select Committee Estimates review.
4. Sign-off turnaround times are tight and driven by the broader budget process. Consequently, we are submitting final documents for your approval.
5. The Estimates documents contain information on financial and non-financial performance.
6. Financial information is based on changes previously agreed during the Baseline Updates process and as a result of other funding decisions. The financial sections provide the significant reasons and explanations for funding changes between the original Budgets and the Supplementary Estimates, as well as the key differences between the Supplementary Estimates for 2024/25 and the Estimates for 2025/26.
7. Because of the tight timeframe at Budget 24, changes to non-financial performance measures for significant initiatives were not included in the Estimates 2024/25 documents. Where appropriate, performance measures are being added in the Supplementary Estimates 2024/25.
8. These changes are summarised in Appendix 5 for appropriations that you are the appropriation Minister for, and in Appendix 4 for appropriations that are the responsibility of the Minister for the Environment.
9. For any new funding from Budget 25, any changes to non-financial performance measures will be reviewed in time for Supplementary Estimates 2025/26 during Budget 26.
10. We have updated the Estimates 2025/26 document to reflect the latest decisions on budget bids and new initiatives, which will be considered by Cabinet on 14 April 2025. The Treasury is continuing to review these documents and may suggest additional changes, though we do not expect substantial feedback.
11. A summary of the new budget initiatives incorporated into the documents is provided in Appendix 1. Copies of the Estimates documents are attached in Appendices 2 and 3.
12. To facilitate the formal sign-off of the Estimates documents, the Treasury has provided template certification letters addressed to the Minister of Finance for Ministers to sign.

These letters provide your assurance to the Minister of Finance that the Estimates 2025/26 and Supplementary Estimates 2024/25 documents are accurate and ready for publishing. They are attached in Appendix 6.

13. To support you in providing this assurance, certification letters signed by the Ministry's Chief Executive are included in Appendix 7.
14. Please sign the attached letters and forward copies of the letters to the Minister for the Environment's office by 11 am on Tuesday, 15 April 2025 so that the Minister for the Environment can submit the final budget documents and assurance certification for the entire Vote to the Minister of Finance's office by 1 pm on Tuesday, 15 April 2025.
15. A copy of the Specific Fiscal Risks submitted to the Treasury as part of the 2025 Budget Economic and Fiscal Update is attached in Appendix 8 for your information. Note, the majority of the risks in the document relate to the Climate Change portfolio.

# Recommendations

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We recommend that you:

- a. **approve** the Climate Change related appropriations within the Estimates of Appropriation 2025/26 Yes | No
  
- b. **approve** the Climate Change related appropriations within the Supplementary Estimates of Appropriation 2024/25 Yes | No
  
- c. **sign** the appended certification letters Yes | No
  
- d. **forward** the certification letters to the Minister for the Environment's office by 11 am Tuesday, 15 April 2025 Yes | No
  
- e. **note** the contents of the attached Specific Fiscal Risks document.

# Signatures

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James Palmer  
**Secretary for the Environment**

Date: 10.04.2025

Hon Simon WATTS  
**Minister of Climate Change**

Date:

## **Appendix 3: Changes to performance measures in the Supplementary Estimates and Estimates for Environment related appropriations**

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## Supplementary Estimates 24/25 - updates

Appropriation	Update type	Previous measure	Measure for submission	Rationale
Exclusive Economic Zone Major Prosecutions Fund	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> The percentage of Exclusive Economic Zone Major Prosecutions Fund that is used in accordance with the agreed criteria</p> <p><b>Standard:</b> 100%</p>	<b>Rationale:</b> Measure updated to align with the EPA's new performance framework.
Improving New Zealand's Environment	<b>Discontinued</b>	<p><b>Measure:</b> Number of Certifiers appointed</p> <p><b>Standard:</b> 10 - 30</p>	N/A	<b>Rationale:</b> Change in work programme currently being considered.
Improving New Zealand's Environment	<b>New standard</b>	<p><b>Measure:</b> Number of certified freshwater farm plans</p> <p><b>Standard:</b> No standard</p>	<p><b>Measure:</b> Number of certified freshwater farm plans</p> <p><b>Standard:</b> Year on year increase</p>	<b>Rationale:</b> No previous standard recorded

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<p>Improving New Zealand's Environment</p>	<p><b>Updated measure and standard</b></p>	<p><b>Measure:</b> Minimum 6 weeks public consultation for all National Direction workstreams</p> <p><b>Standard:</b> 100%</p>	<p><b>Measure:</b> Produce report(s) from submissions and recommendations on the subject matter of each national direction proposal to meet the requirements of the Resource Management Act</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> Updated in response to the Resource Management (Freshwater and Other Matters) Amendment Act 2024 and changes to the associated legislative requirements for national direction under the RMA. This measure also reflects the focus of the funding.</p>
<p>Improving New Zealand's Environment</p>	<p><b>New measure and standard</b></p>	<p>N/A</p>	<p><b>Measure:</b> Cabinet decisions taken on the major legislative architecture for the Government's replacement legislation for the Resource Management Act</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> The new measure reflects a significant milestone for the reform of the resource management system and was determined to be the most appropriate measure for the funding.</p>
<p>Product Stewardship</p>	<p><b>Updated measure and standard</b></p>	<p><b>Measure:</b> Tonnage of end-of-life tyres collected by the Tyrewise Product Stewardship scheme annually.</p> <p><b>Standard:</b> 13,000 Tonnes (NB - annual data for this measure is 1 April - 31 March not FY 1 July - 30 June)</p>	<p><b>Measure:</b> Auto Stewardship NZ meets 80% of the Ministry agreed milestones in their Deed/Operational delivery plan for the Tyrewise scheme.</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> New measure to better align with the purpose of non-departmental funding category.</p>

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Product stewardship	<b>Updated measure and standard</b>	<p><b>Measure:</b> Processing, monitoring and auditing of the scheme to ensure the tyre stewardship fee is spent correctly and appropriately and achieving the expected outcomes</p> <p><b>Standard:</b> Achieved</p>	<p><b>Measure:</b> Monitoring and auditing of the scheme to ensure the tyre stewardship fee is spent correctly and appropriately and achieving the expected outcomes</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> Processing was removed as the focus of this measures sits with the monitoring and audit and a processing metric didn't add extra value.</p>
Product stewardship	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Tonnage of end-of-life tyres collected by the Tyrewise Product Stewardship scheme annually.</p> <p><b>Standard:</b> 13,000 Tonnes (NB - annual data for this measure is 1 Sept - 31 March not FY 1 July - 30 June)</p>	<p><b>Rationale:</b> Measure was identified as most appropriate to show progress against the intention of the appropriation.</p>

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<p>Repayable Capital Injection to the Environmental Protection Authority</p>	<p><b>New measure and standard</b></p>	<p>N/A</p>	<p><b>Measure:</b> Percentage of interest and capital repayments met from levy proceeds</p> <p><b>Standard:</b> 100%</p>	<p><b>Rationale:</b> Replaces the previous capital appropriation for the Emissions Trading Register. Measure updated to align with this change.</p>
<p>Waste Minimisation</p>	<p><b>Updated measure and standard</b></p>	<p><b>Measure:</b> Number of audits of disposal facilities completed</p> <p><b>Standard:</b> 100% [Annual Programme Goal]</p>	<p><b>Measure:</b> Number of audits and site inspections of disposal facilities completed.</p> <p><b>Standard:</b> 100% of Annual Programme Goal = 16 audits and 60 Inspections</p>	<p><b>Rationale:</b> The compliance function uses both audits and site inspections and these are linked. Standard updated for clarification.</p>
<p>Waste Minimisation</p>	<p><b>Updated standard</b></p>	<p><b>Measure:</b> Number of audits of territorial authorities completed</p> <p><b>Standard:</b> 100% [Annual Programme Goal]</p>	<p><b>Measure:</b> Number of audits of territorial authorities completed</p> <p><b>Standard:</b> 100% of Annual Programme Goal = 6 territorial authority audits (Modified prototyped “fit for purpose” TA audits)</p>	<p><b>Rationale:</b> Standard updated for clarification.</p>

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Waste Minimisation	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Funded projects achieve their stated objectives to improve ecosystem health, minimise waste, and remediate contaminated sites and vulnerable landfills</p> <p><b>Standard:</b> 80%</p>	<p><b>Rationale:</b> Selected as the most appropriate measure to indicate that investments are delivering what was expected.</p>
Waste Minimisation	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Publish a new Waste and Resource Efficiency Strategy in alignment with Government priorities to minimise waste and improve waste management.</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> Selected as the most appropriate measure as relates to a key deliverable and sets direction of the Waste and resource efficiency work programme.</p>
Waste Minimisation	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Technical quality of advice papers (assessed by a survey with a methodical robustness of 100%)</p> <p><b>Standard:</b> Primary: 70% of papers score at least 3.5 out of 5 and</p>	<p><b>Rationale:</b> Selected as the most appropriate measure as relates to quality policy advice being provided.</p>

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			Secondary: 80% of papers score at least 3 out of 5	
Waste Minimisation	<b>New measure and standard</b>	N/A	<p><b>Measure:</b> Percentage of completed contaminated sites projects that achieve stated objectives</p> <p><b>Standard:</b> 100%</p>	<b>Rationale:</b> Selected as the most appropriate measure for the funding.

## Main Estimates 25/26 – new measures

Appropriation	Update type	Previous measure	Measure for submission	Rationale
Contaminated Sites Remediation Fund + Waste Minimisation	<b>Updated measure and standard</b>	<p><b>Measure:</b> Percentage of completed contaminated sites projects that achieve stated objectives</p> <p><b>Standard:</b> 100%</p>	<p><b>Measure:</b> Percentage of completed contaminated sites and vulnerable landfill projects that achieve stated objectives</p> <p><b>Standard:</b> 100%</p>	<b>Rationale:</b> Measure updated to align with the new category funding under the Waste Minimisation multi-category appropriation. Measure now reports on contaminated sites and vulnerable landfill projects.

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<p>Environmental Protection Authority (EPA) - Emissions Trading Scheme</p>	<p><b>Updated measure and standard</b></p>		<p><b>Measure:</b> Percentage of units transferred within 2 business days of receiving a direction</p> <p><b>Standard:</b> 100%</p>	<p><b>Rationale:</b> Measure updated to align with the EPA's new performance framework.</p>
<p>Environmental Protection Authority (EPA) - Emissions Trading Scheme</p>	<p><b>Updated measure and standard</b></p>		<p><b>Measure:</b> Percentage availability of the ETR to online users</p> <p><b>Standard:</b> 100%</p>	<p><b>Rationale:</b> Measure updated to align with the EPA's new performance framework.</p>
<p>Environmental Protection Authority functions</p>	<p><b>Updated measure and standard</b></p>		<p><b>Measure:</b> Audit rating for EPA processes supporting environmental decisions</p> <p><b>Standard:</b> Effective</p>	<p><b>Rationale:</b> Measure updated to align with the EPA's new performance framework, and to encompass the fast-track activities.</p>

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Environmental Protection Authority functions	<b>New measure and standard</b>		<p><b>Measure:</b> Number of higher complexity, quantitatively assessed (Category B and Category C) hazardous substances applications decided</p> <p><b>Standard:</b> 7</p>	<p><b>Rationale:</b> Measure updated to align with the EPA's new performance framework.</p>
Environmental Protection Authority functions	<b>New measure and standard</b>		<p><b>Measure:</b> Number of hazardous substances applications yet to be decided</p> <p><b>Standard:</b> 103</p>	<p><b>Rationale:</b> Measure updated to align with the EPA's new performance framework.</p>
Environmental Protection Authority functions	<b>Updated measure and standard</b>		<p><b>Measure:</b> Number of offshore facilities inspected</p> <p><b>Standard:</b> 5</p>	<p><b>Rationale:</b> Measure updated to align with the EPA's new performance framework.</p>

CLASSIFICATION

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Waste Minimisation	<b>Updated standard</b>	<b>Measure:</b> Number of audits of territorial authorities completed  <b>Standard:</b> 100% [Annual Programme Goal]	<b>Measure:</b> Number of audits of territorial authorities completed  <b>Standard:</b> 100% of Annual Programme Goal = 24 territorial authority audits (Modified “fit for purpose” TA audits)	<b>Rationale:</b> Updated standard from previous year
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CLASSIFICATION

## **Appendix 4: Changes to performance measures in the Supplementary Estimates and Estimates for Climate Change related appropriations**

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## Supplementary Estimates 24/25 - updates

Appropriation	Update type	Previous measure	Measure for submission	Rationale
Climate Change Chief Executives Board	<b>Updated measure and standard</b>	<p><b>Measure:</b> Reporting on the delivery of Government's climate priorities is delivered on time</p> <p><b>Standard:</b> 100%</p>	<p><b>Measure:</b> Progress reporting on the delivery of the Government's climate change goals and targets is delivered on time</p> <p><b>Standard:</b> 100%</p>	<p><b>Rationale:</b> Measure is updated to encompass quarterly reporting against Govt Target 9/Emissions Budgets.</p>
Climate Change Commission: Capital Contribution	<b>Discontinued</b>	<p><b>Measure:</b> Expenditure is used to build and maintain an evidence base and a fit for purpose working environment</p> <p><b>Standard:</b> Achieved</p>	N/A	<p><b>Rationale:</b> Absorption of CAPEX into OPEX.</p>

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<p>Managing Climate Change in New Zealand</p>	<p><b>Updated measure and standard</b></p>	<p><b>Measure:</b> Percentage of satisfied stakeholders, measured by satisfaction survey.</p> <p><b>Standard:</b> 70%</p>	<p><b>Measure:</b> Pou Take Ahuarangi joint work programme activities delivered</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> The measure selected reflects the updated work programme as well as aligning with our new strategic intentions - Te Tiriti is upheld and the Māori Crown relationship is strong</p>
<p>Managing Climate Change in New Zealand</p>	<p><b>Discontinued</b></p>	<p><b>Measure:</b> Number of data products released</p> <p><b>Standard:</b> 3</p>	<p>N/A</p>	<p><b>Rationale:</b> No longer dedicated funding</p>
<p>Supporting Equitable Transitions and Climate Resilience for Māori - MYA</p>	<p><b>Updated measure and standard</b></p>	<p><b>Measure:</b> Percentage of completed Māori Climate platform projects that are on track to achieve their stated objectives.</p> <p><b>Standard:</b> 80%</p>	<p><b>Measure:</b> Māori Climate Platform pilot projects launched.</p> <p><b>Standard:</b> Achieved</p>	<p><b>Rationale:</b> The measure selected reflects the purpose of the appropriation by funding Kaupapa Māori, Tangata Māori initiatives and partnerships to support community climate action.</p>

CLASSIFICATION

## **Main Estimates 25/26 – new measures**

TBC via Supplementary estimates 25/26

**Appendix 5: Ministerial Certification Letters for signing**



15 April 2025

Hon Penny Simmonds  
Minister for the Environment  
Parliament Buildings  
WELLINGTON

Dear Penny

## **2025/26 Estimates: Ministerial Sign-off for the Climate Change related appropriations included in Vote Environment**

I advise that the Climate Change related appropriations included in the *Estimates of Appropriations 2025/26 and Supporting Information* documents for Vote Environment, for which the Ministry for the Environment is the administering department, have been completed – and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2025/26 Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to 07 April 2025
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

In signing this statement, I acknowledge that I am responsible for the Climate Change related appropriations in Vote Environment administered by the Ministry for the Environment and included in the *Estimates of Appropriations 2025/26 and Supporting Information*.

Yours sincerely

Hon Simon Watts  
**Minister of Climate Change**



15 April 2025

Hon Penny Simmonds  
Minister for the Environment  
Parliament Buildings  
WELLINGTON

Dear Penny

## **2024/25 Supplementary Estimates: Ministerial Sign-off for the Climate Change related appropriations included in Vote Environment**

I advise that the Climate Change related appropriations included in the *Supplementary Estimates of Appropriations 2024/25 and Supporting Information* documents for Vote Environment, for which the Ministry for the Environment is the administering department, have been completed – and that it is accurate and suitable for publication. I confirm that the information provided:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989
- is consistent with the proposed appropriations to be set out in the Appropriation (2024/25 Supplementary Estimates) Bill, existing appropriations and financial authorities, and with Cabinet decisions up to 07 April 2025
- is provided in the required format, and has been prepared in accordance with the guidance that has been issued by the Treasury, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

In signing this statement, I acknowledge that I am responsible for the Climate Change related appropriations in Vote Environment administered by the Ministry for the Environment and included in the Supplementary Estimates of Appropriations 2024/25 and Supporting Information.

Yours sincerely

Hon Simon Watts  
**Minister of Climate Change**

**Appendix 6: Signed Certification Letters from the Ministry's  
Chief Executive**

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## 2025/26 Estimates Chief Executive Sign-off

10 April 2025

Hon Simon Watts  
Minister of Climate Change  
Parliament Buildings  
WELLINGTON

Dear Minister

### 2025/26 Estimates Documents for Vote Environment

#### Action Required

Attached, for your approval are:

- the documentation for the 2025/26 Estimates and Supporting Information for the Climate Change related appropriations that you are responsible for in Vote Environment, and
- a draft letter to the Minister for the Environment.

#### Background

The Budget 2025 process requires that:

- the Estimates documentation for Vote Environment is completed by 07 April 2025, and
- as the appropriation Minister relating to Climate Change components in the Vote, you confirm to the Minister for the Environment that this material is correct and, in a form, suitable for publication.

#### The Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the government, and has been prepared in accordance with the Public Finance Act 1989

- is consistent with the proposed appropriations to be set out in the Appropriation (2025/26 Estimates) Bill, as entered by the Ministry for the Environment into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to 07 April 2025
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by the Ministry for the Environment's senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

The budget process requires that you review all the Climate Change related components of the appropriations in the Estimates documentation and then confirm to the Minister for the Environment that the Estimates documentation for the Climate Change related component of the appropriations for the Vote is fit for publication.

### **Recommendation**

I recommend that you **sign** the attached letter and forward this to the Minister for the Environment's office by 11 am Tuesday, 15 April 2025.

Yours sincerely



James Palmer  
**Secretary for the Environment**



## 2024/25 Supplementary Estimates Chief Executive Sign-off

10 April 2025

Hon Simon Watts  
Minister of Climate Change  
Parliament Buildings  
WELLINGTON

Dear Minister

### 2024/25 Supplementary Estimates Documents for Vote Environment

#### Action Required

Attached, for your approval are:

- the documentation for the 2024/25 Supplementary Estimates and Supporting Information for the Climate Change related appropriations that you are responsible for in Vote Environment, and
- a draft letter to the Minister for the Environment.

#### Background

The Budget 2025 process requires that:

- the Supplementary Estimates documentation for Vote Environment is completed by 07 April 2025, and
- as the appropriation Minister relating to Climate Change components in the Vote, you confirm to the Minister for the Environment that this material is correct and, in a form, suitable for publication.

#### The Supplementary Estimates and Supporting Information Documents

I confirm that the information provided for your approval:

- is consistent with the policies and performance expectations of the Government, and has been prepared in accordance with the Public Finance Act 1989

- is consistent with the proposed appropriations to be set out in the Appropriation (2024/25 Supplementary Estimates) Bill, as entered by the Ministry for the Environment into the Treasury's CFISnet system
- is consistent with existing appropriations, financial authorities, and Cabinet decisions up to 07 April 2025
- has been prepared in the required format, and in accordance with the guidance that has been issued by the Treasury
- has been appropriately reviewed by the Ministry for the Environment's senior management team – with a particular focus on areas where new strategic information, such as statements about what an appropriation is intended to achieve, is now required, and
- has been through an appropriate quality assurance process and is free of material errors and omissions.

The budget process requires that you review all the Climate Change related components of the appropriations in the Estimates documentation and then confirm to the Minister for the Environment that the Estimates documentation for the Climate Change related component of the appropriations for the Vote is fit for publication.

### **Recommendation**

I recommend that you **sign** the attached letter and forward this to the Minister for the Environment's office by 11 am Tuesday, 15 April 2025.

Yours sincerely



James Palmer  
**Secretary for the Environment**

**Appendix 7: Specific Fiscal Risks document**

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## Ministry for the Environment - Climate Change

### Specific Fiscal Risks – Budget Economic and Fiscal Update (BEFU) 2025

#### 1) Achieving New Zealand's International and Domestic Climate Change Targets

New Zealand has two international targets under the Paris Agreement to contribute to global efforts to limit global average temperature increases. Additional domestic and offshore abatement will be needed to meet the first Nationally Determined Contribution (2021 to 2030). The Government has choices around how it achieves this, however, regardless of what these choices are, it is likely that fulfilling these commitments will involve significant costs to the Crown. The cost of using offshore mitigation from international cooperation is highly uncertain. Based on prices from emerging economies and established carbon markets, the Ministry for the Environment and the Treasury have developed illustrative cost scenarios where the total cost of international purchases range from \$3.3 to \$9.9 billion. The total fiscal cost of achieving our first NDC will depend not only on the costs of international emissions reductions, but also the direct and indirect fiscal costs of accelerating New Zealand's domestic transition.

In January 2025, the Government announced a second nationally determined contribution (NDC2) as a target range of 51-55 % net reduction on 2005 gross levels by 2035. The lower end of the target range aligns with the reductions required to meet the third domestic emissions budget. This means that there are no additional fiscal risks arising from this target.

The Climate Change Response (Zero Carbon) Amendment Act 2019 requires the Government to set and achieve domestic greenhouse gas emissions targets and emissions budgets (emissions budget 1, 2 & 3 covering the 2022 to 2035 period). Domestic abatement within this framework contributes to the Nationally Determined Contributions described in the paragraph above. The Government has released its second emissions reduction plan in December 2024 which outlined policies and strategies to achieve New Zealand's domestic targets. Some of these policies will be funded under existing baselines; however additional funding may be required over the period of 2026 to 2030, which could affect the Government's operating balance and net core Crown debt.

#### 2) Adaptation Policy Changes (Policy Change and Expenses)

New Zealand's first national adaptation plan (NAP) was published in August 2022 to address key risks identified in the National Climate Change Risk Assessment. The NAP is an all-of-government plan which covers actions New Zealand will take to adapt to the impacts of climate change to 2028. The NAP's actions focus on four priority areas: enabling better risk-informed decisions, driving climate-resilience development in the right locations, adaptation options including managed retreat, and embedding resilience into government strategies, policies, and plans. Many actions to address these risks already have funding and are underway and some have already been completed. Proposed future work programmes would depend on funding and future budget decisions, which could have implications for the Government's operating allowance.

In August 2024 the Climate Change Commission (the Commission) published their first report on the implementation and effectiveness of the NAP. The Commission's main finding was that

adaptation action is not taking place at the scale or pace needed. While investment in policy work on adaptation may contribute to operating costs, these are expected to be more than offset by long-term financial and non-financial cost savings from impacts of climate change not being (fully) realised. However, direct causal links will be hard to draw, given the complexity of the issue and long-time lags.

### **3) Carbon Neutral Government Programme**

As part of its contribution to achieving New Zealand's climate change targets, the previous Government established the Carbon Neutral Government Programme (CNGP), supported by the existing State Sector Decarbonisation Fund. Work is underway on the development of pricing and investment options whereby CNGP organisations would pay for their emissions. Two key fiscal risks exist: the funding need for emissions reductions may exceed the extent and criteria for the State Sector Decarbonisation Fund and agency budgets, and the cost of offsetting remaining emissions may exceed what CNGP participating agencies can afford.

### **4) Cost of severe weather events**

Cyclone Gabrielle and the Auckland Anniversary floods have demonstrated the importance of reducing natural hazard risks, which are increasing with climate change. In 2023, Treasury estimated the damage from these two events as between \$9 to \$14.5 billion. Approximately 14,500 houses – worth \$12.9 billion – can be expected to experience at least one major flood by 2060 (at least 30cm of water above floor level).

Generally, the Crown makes decisions about which costs it might share after an event, rather than prior to the event, meaning these costs cannot be quantified as specific fiscal risks. While neither central nor local government is committed to providing similar assistance in the future, past decisions have set expectations. The NAF is considering how future risks and costs needs to be shared, including what a transition to any new, credible and durable approach could like so people can manage their own risks and markets are able to adjust over time.

There are also multiple uncertainties in modelling the potential fiscal risks. However, net core Crown debt could be higher by 3.77% of GDP in 2061 from increased storms and droughts. In 2020, NZIER estimated that climate change could cause an increase in the annual growth of the Crown liability for natural hazards from 5.3% to 5.5%-5.7% through to 2050, due to increased risk from storms and floods.

### **5) Emissions Intensity-Based Allocation**

Free allocations of NZUs are provided to firms that carry out any of 26 eligible industrial activities. The number of emission units allocated for each activity changes from year to year in proportion to production from these activities, e.g. the amount of steel or aluminium made in each year. In general, output levels of the major activities are relatively stable, but some may fluctuate over the forecast period due to circumstances outside the government's control (such as the closing or opening of businesses, changes in energy costs, supply chain pressures). If there is an increase in units allocated by the Government to industry over the forecast period it will translate to a fiscal

cost, based on the emission unit price. The magnitude of allocation fluctuations is difficult to predict. This risk is partly mitigated by the fact that industrial allocation is slowly being phased out – currently at a rate of 1 percentage point per annum.

#### **6) Emissions Trading Scheme – Abatement Obligations Arising from Price Ceilings Being Exceeded**

Aotearoa New Zealand’s Emissions Trading Scheme has a soft ceiling, called the Cost Containment Reserve (CCR), which releases additional New Zealand Units (NZUs) at auction if a certain price threshold is reached. Despite the CCR being exhausted for both the 2021 and 2022 calendar years, the CCR volumes are not included in the fiscal forecasts, as it is assumed it will not typically be triggered. Under the Climate Change Response Act 2002, if the release of those units causes an emissions budget to be exceeded, the Minister of Climate Change must obtain equivalent emissions reductions to ‘back’ the excess. This obligation also applies to NZUs allocated through industrial allocation. If this were to occur, there is a fiscal risk associated with the cost of obtaining the emissions reductions required. The overall fiscal impact of this risk is uncertain and depends on the cost of obtaining equivalent emissions reductions, which could be achieved through domestic or offshore mitigation.

#### **7) Emissions Trading Scheme – Variations Arising from Unit Auctions Failing to Clear**

New Zealand’s Emissions Trading Scheme (ETS) involves auctioning a certain volume of New Zealand Units (units) each calendar year. One unit represents one metric tonne of carbon dioxide equivalent. ETS auctions contain two reserve prices that, if not met, can prevent units from being sold:

- Auction price floor: Units will not sell if the final clearing price at auction does not meet the auction price floor, which is set by the Government and published in advance.
- Confidential reserve price: Units may also not sell if the final clearing price is significantly lower than prevailing prices in the secondary market (where ETS participants on-sell units to one another).

If auctions are cancelled (if either of these thresholds are not met) or only partially clear (due to insufficient bids), some units will remain unsold. These unsold units are rolled over to remaining auctions in the same calendar year. If fewer units are sold in a given fiscal year than assumed in the forecasts, this results in lower cash proceeds, higher net core Crown debt and a lower ETS liability.

#### **8) Emissions Trading Scheme – Variations in Revenue and Expenses**

The Emissions Trading Scheme (ETS) earns revenue and incurs expenses for the Crown, both of which are uncertain. The uncertainty is largely owing to the future market price of New Zealand Units and the responses of participants. As a result of these factors, actual revenue and expenses may vary from the fiscal forecasts, which for both revenue and expenses assume a carbon price value based on the prevailing market price. In addition, any government decisions to update the

ETS price and unit supply settings could affect ETS cash proceeds from auctions. These decisions are supported by modelling and forecasts, which are inherently uncertain.

### **9) Emissions Trading Scheme Debt Impairment**

There is a risk that participants may not be able to surrender emission units to settle their obligations due to entering receivership or liquidation. The overall fiscal impact of this risk is uncertain, and it will depend on variables including emission unit price, emission volumes, the amount of emission units owed by participants and the financial health of participants.

## Aide memoire: Vote Environment Performance Plan

**Date submitted:** 19 March 2025

**Tracking number:** BRF-5950

**Security level:** CLASSIFICATION

Actions sought from ministers	
<i>Name and position</i>	<i>Action sought</i>
Hon Chris BISHOP <b>Minister Responsible for RMA Reform</b> Hon Simon WATTS <b>Minister of Climate Change</b> To Hon Penny SIMMONDS <b>Minister for the Environment</b> Hon Andrew HOGGARD <b>Associate Minister for the Environment</b>	For noting only

Appendices and attachments
1. <a href="#">Vote Environment Performance Plan submitted to Central Agencies Nov 2024</a>

Key contacts at Ministry for the Environment			
<i>Position</i>	<i>Name</i>	<i>Cell phone</i>	<i>First contact</i>
Principal Author	Charlotte Wood	9(2)(a)	✓
Deputy Secretary	Martin Workman		

# Vote Environment Performance Plan

## Purpose

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1. To provide detail on the upcoming Cabinet Expenditure and Regulatory Review Committee (EXP) scrutiny of performance plans.

## Background

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2. In November 2024 (via BRF-5548), Ministers endorsed the Vote Environment Performance Plan to be submitted to Central Agencies (Attachment 1).
3. Performance Plans are intended to support Ministers to ensure departments can manage within baselines and deliver value over the medium term.
4. Performance Plans are intended to inform Budget 2025 decisions. EXP leads the scrutiny of Performance Plans. The Minister of Finance will lodge a paper on Performance Plan insights for EXP to consider on 25 March.
5. The paper will note that while fiscal components of the plans are typically well addressed, there are challenges in demonstrating value and performance of activities and clearly articulating trade-offs.
6. An annex to the EXP paper will include a RAG assessment of the key risks/issues in managing within baselines for each Vote. 9(2)(g)(i)

### Resource Management reform implementation

9. This is the most significant anticipated future cost to consider. We have a Budget 25 funding initiative under consideration that could address this work if sufficient new funding is received. We recently briefed relevant Ministers on implications of no new RM funding through Budget 25 (BRF-5971), which is summarised below.
10. Delivering RM without additional funding would require reconsidering the timeframes for when the new system would be implementable. This would delay the realisation of the economic and other benefits RM reform is intended to achieve.
11. With no additional funding in Budget 25, we expect we would only be able to deliver the Phase 2 national direction programme and the primary legislation to replace the RMA by

mid-2026. All the remaining elements of the new system required to support local government implementation – such as national direction for the new system, policy design for new institutions, and work to prepare nationally standardised zones and standards - would need to be delayed.

12. This would mean that the new system would not be ready for local government implementation until 2028 at the earliest (adding pressure to councils' long-term plan development in 2028). Other features of a new system (e.g. a planning tribunal, compliance regulator, digital support such as e-plan) would also be delayed until at least 2027/28, dependent on future Budget outcomes.
13. Should no RM funding be provided, discussions would be required across Vote Environment portfolio Ministers to reprioritise funding and work from elsewhere across the environment and climate portfolio to support RM implementation without delays, as well as potential impacts on our ability to meet our statutory obligations.
14. However, we note that constraints in terms of skill and capability exist, even if other work was delayed or stopped. Freeing up funding from within the Ministry to procure the capability required to fully fund the Phase 2 and 3 programmes will likely involve a further internal change process as well.
15. Policy decisions for the new RM system should aim to minimise implementation costs and/or identify cost recovery options, particularly regarding new entity costs and the extent of Phase 2 changes to national direction. However, even cost recovery mechanisms will require an interim funding solution for the establishment phase. Managing new entity costs should include exploring savings offsets within other Votes (e.g. Justice).

### **Emission Trading Scheme register replacement**

16. The ETS Register is supported by the EPA. At present, the Register remains stable and secure, and supports all current legislative requirements.
17. However, operational risk is increasing as the Register is aging, and the EPA has implemented a freeze on the implementation of changes as a result of changing policies to ensure its stability. New and changing policies that rely on an updated Register will not have their intended impact until the Register is replaced. This is relevant to later stages of the ETS market governance and carbon capture and storage work which would adjust system settings to allow for competitive market solutions in alignment with the government's economic strategy.
18. A decision on the future of the Register (replace or defer investment) is required well in advance of the expiry of the support contract with the service provider in 2029.
19. Replacement of the Register would be a substantial project at a cost well beyond what would be possible for the EPA to fund within its baseline funding.
20. Minister Watts received some initial advice on options for the future of the Register in late January 2025, and further advice is due in June to support a decision whether to seek any funding in Budget 26. Advice on next steps for the Register will consider whether the EPA can deliver an additional project while managing existing fiscal sustainability pressures.

21. 9(2)(f)(iv)

### **EPA financial sustainability**

22. The EPA's financial sustainability will depend on:
- i. Receiving appropriate ongoing funding for any proposed new functions or improvements (e.g., Gene technology Regulator, any functions resulting from the waste legislation reform, any expanded functions from placement of the RMA "Phase 3", updating ETS register)
  - ii. the levy on fast track applicants generating sufficient revenue to repay the \$10m Crown loan the EPA received in December 2024 within the required 5 year time frame.
23. Other fiscal constraints presented as part of the Plan (ecotoxicological models, customer relationship management system, chemical map prototype 3, hazardous substances automated pathway determination) would improve the efficiency and effectiveness of the EPA's operations. However, core operations can be maintained without addressing these factors.
24. Minister Simmonds is currently considering the Letter of Expectations for the EPA which will consider existing fiscal sustainability risks.
25. Legislative changes that could generate more revenue or create efficiencies for the EPA can help manage EPA financial sustainability risks. There are opportunities for this through the ongoing HSNO reform process.
26. While funding for updated ecotoxicological models is not a cost pressure, the funding gap was highlighted in our Plan given they are a priority action from the Ministry for Regulation's review of agricultural and horticultural product approvals. We are exploring the option to fund this through waste-levy decisions via Budget 25.

## **Next steps**

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27. The Vote Environment Performance Plan will need to be updated following Budget 25 decisions to reflect our revised strategic intentions and the impact of Budget 25 decisions on our baseline.
28. Once Budget 25 outcomes are clearer, we will provide further advice to Ministers on the approach to updating the Performance Plan and identifying trade-offs needed to deliver medium-term impacts within baselines.
29. Discussions alongside April's Ministerial Dashboards provides an opportunity to discuss Ministerial priorities for the year ahead

## Signatures

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Martin Workman  
Deputy Secretary – Strategy, Stewardship  
and Performance

**19 March 2025**

Hon Chris BISHOP  
**Minister Responsible for RMA Reform**

**Date**

Hon Simon WATTS  
**Minister of Climate Change**

**Date**

Hon Penny SIMMONDS  
**Minister for the Environment**

**Date**

Hon Andrew HOGGARD  
**Associate Minister for the Environment**

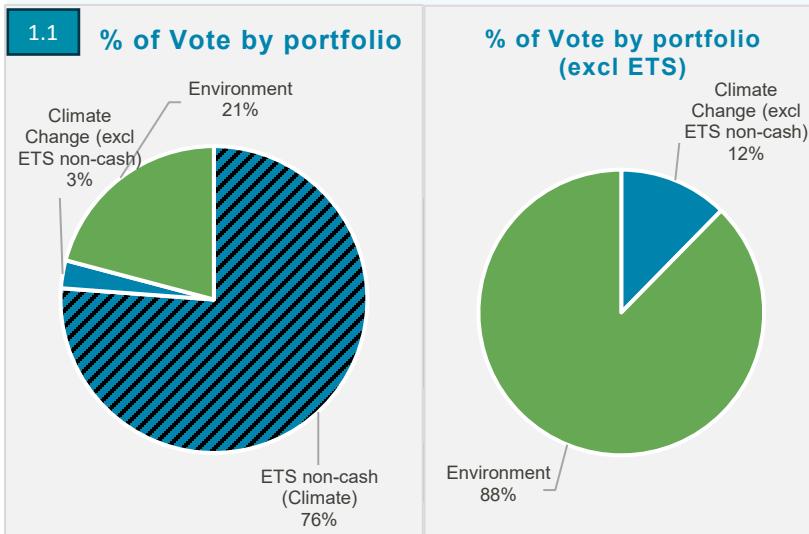
**Date**

# 1. Department overview: Vote Environment

## KEY ISSUES

- In coming years, we have an ambitious programme of legislative reform, wide-ranging legislative obligations to deliver, and expect increasing litigation.
- We are currently implementing significant change to our operating model. This includes a leaner structure focused on core functions, and a phased approach to downsizing with significant drops in FTE in late 2024 and again in mid 2025. Funded staffing levels are reducing from 1230 FTEs in 2023/24 to 920 FTEs in 2027/28.
- While existing cost pressures can be absorbed within baseline, this will be challenging and will exhaust future savings options.
- Future Cabinet decisions with cost implications will need to carefully explore options for how costs would be met. If costs are realised without additional funding, absorbing these would require significant additional reprioritisation across the existing workplan.
- The expanded Waste Disposal Levy provides a limited opportunity to offset existing and future cost pressures and realise further savings across government.
- Vote Environment includes funding for the Climate Change Commission and EPA. There is a risk related to the EPA's ability to effectively perform its statutory functions within the baseline funding available, which may be exacerbated by new responsibilities (including fast track and gene tech regulator).
- MfE's core work is to provide policy advice that informs decisions, which then influence choices made by local government, businesses and households to achieve policy objectives. This limits our ability to provide meaningful performance measurement of the direct impact of our work.
- Note that the first spend by portfolio graph below is heavily skewed towards climate change due to the inclusion of ETS non-cash appropriations (97% of the climate change appropriations).

## SPEND BY PORTFOLIO



## TARGETS AND PRIORITIES

### Government targets

The Ministry for the Environment is the lead agency for Target 9: Reduced net greenhouse gas emissions.

This target is that New Zealand is on track to meet its 2050 net zero climate change targets with total net emissions of no more than 290 megatonnes from 2022 to 2025 and 305 megatonnes from 2026 to 2030. The target contains both the first and second emission budget (EB) targets (EB1 and EB2 respectively).

EB1 remains on track to be achieved, and the EB2 target is achievable if the strategies proposed in the Government's draft second emissions reduction plan are funded and implemented.

### Strategic priorities

We expect to publish and table new Strategic Intentions by February 2025. Ministers will see the draft Strategic Intentions in mid-November 2024.

Our Strategic Intentions will include the following strategic priorities:

- Improve the resource management system to be more **efficient and effective**
- Support the transition to a **competitive, low-emission, resource efficient economy**
- Strengthen the **resilience of communities, businesses and places** to climate change and natural hazards
- Improve the **quality and accessibility of evidence** for all decision makers
- Ensure our investment, partnerships and relationships **enable others to achieve impactful results**

### Portfolio priorities

Resource management portfolio priorities include

- establishing the Fast Track permitting and consenting regime,
- streamlining and simplifying the existing Resource Management Act to enable infrastructure and housing growth, and economic prosperity,
- replacing the RMA with new legislation based on property rights.

Climate portfolio priorities include:

- driving the whole of government approach to our climate response and strengthening international climate engagement and cooperation,
- strengthening our ability to adapt to the effects of climate change, supported by improved data and information,
- unlocking private investment and partnerships.

Environment portfolio priorities (natural and built env.) include:

- reducing waste and better managing hazardous substances,
- improving collection, analysis and reporting of data and evidence,
- contributing to cross-agency and international work programmes,
- removing red tape to help grow the economy.

## EXPENDITURE BY TYPE



### Recent changes in expenditure to 2023/24

- Fluctuations in the Allocation of New Zealand Units actual expenses over time, resulting from changes in the market price of NZUs. This increased from \$23 in 2018/19 to \$86 in Feb 2022, and currently priced around \$62/unit (Sep 2024).
- Expansion of third-party revenue generated by the waste disposal levy paid by landfills, and by the tyre product stewardship fee
- Expansion of policy advice, legislation, regulation, monitoring and reporting, funding for Crown Entities and third parties (eg iwi / Māori, community groups) to deliver reforms in climate change, resource management, waste and resource efficiency, and freshwater
- Significant time-limited Covid funding for Jobs for Nature and Waste work programmes.

### Expected changes in expenditure from 2024/25

- Return of funds through the December 2023 Mini Budget and Budget 2024, relating to previous Resource Management reforms and additional savings through reductions in both departmental and non-departmental spending.
- Increase in the Allocation of New Zealand Units appropriation for 24/25 and outyears with the forecast set at a higher \$100 per unit to accommodate the uncertainty in the market price. Future actual expenses will reflect the market price of NZUs at the time of expenditure recognition.
- Continued growth in third-party revenue driven by scheduled increases to the waste disposal levy paid by landfills, and the collection of tyres product stewardship fees (introduced in 2023/24).
- Reductions in time-limited Crown funding for freshwater initiatives, waste emissions reductions / infrastructure, and third-party funding for communities and iwi / Māori
- Reductions in departmental funding resulting from reprioritisation within the Government's climate and environmental work programmes to achieve savings

### Monitoring and funding of Crown companies or entities

The Ministry for the Environment monitors and funds two Crown entities.

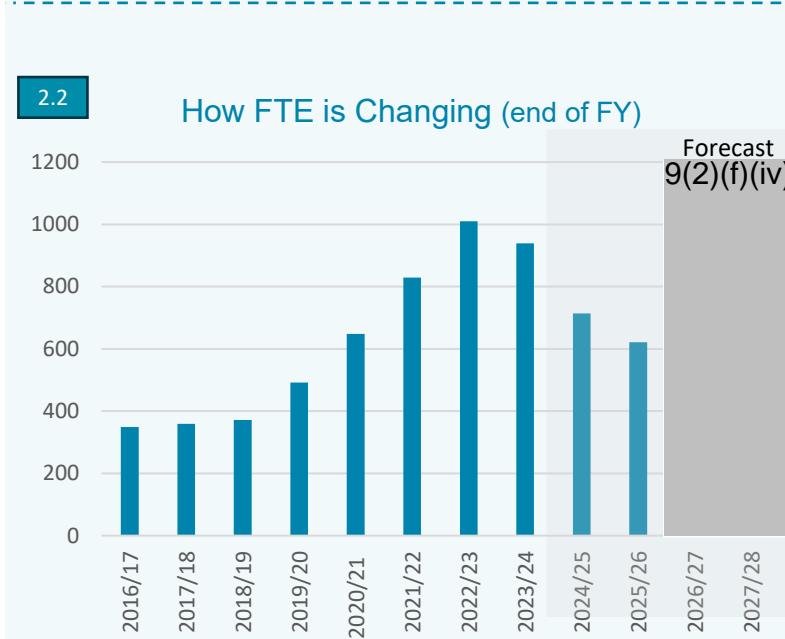
- The **Climate Change Commission**, an independent Crown entity established in 2019, will receive Crown funding of \$16.1 million in 2024/25.
- The **Environmental Protection Authority**, a Crown agent established in 2011, will receive Crown funding of \$36.2 million in 2024/25.

## 2. Department overview: Current specific fiscal risks, workforce, and third-party revenue

### SPECIFIC FISCAL RISKS

Title / Description	Amount and Probability	Mitigations
Achieving NZ's International & Domestic CC Targets	Estimates of the total cost of international purchases \$3.3-\$9.9B	The total fiscal cost of achieving National Determined Contribution (NDC) and emissions budgets will depend on the costs of international emissions reductions, & also the direct and indirect fiscal costs of accelerating NZ's domestic transition.
National Adaptation Plan (Policy Change and Expenses)	Proposals will likely need additional funding, but policy decisions required	While short-term investment in interventions to help adapt to a changing climate may contribute to operating costs, these are expected to be more than offset by savings from the impacts of climate change not being (fully) realised.
ETS Debt Impairment	Fiscal impact uncertain	There is a risk that participants may not be able to surrender emission units to settle obligations due to entering receivership.
ETS – Variations in Revenue & Expenses + Emissions Intensity-Based Allocation	n/a	The ETS earns revenue and incurs expenses for the Crown, both of which are uncertain, due to estimated future market prices, and the responses of participants. Also the level of industrial allocations is hard to predict but is being phased out.
Auction Clearing Uncertainty	2024 auction revenue totalling ~\$902M.	If an auction does not clear, the units rollover to the next auction, provided it is in the same calendar year.
Cost of severe weather events	Net core Crown debt could be higher by 3.8% of GDP in 2061	Generally, the Crown makes decisions about which costs it might share after an event, rather than prior to the event, meaning these costs cannot be quantified as specific fiscal risks

### WORKFORCE



#### Drivers and implications of change(s) in FTE

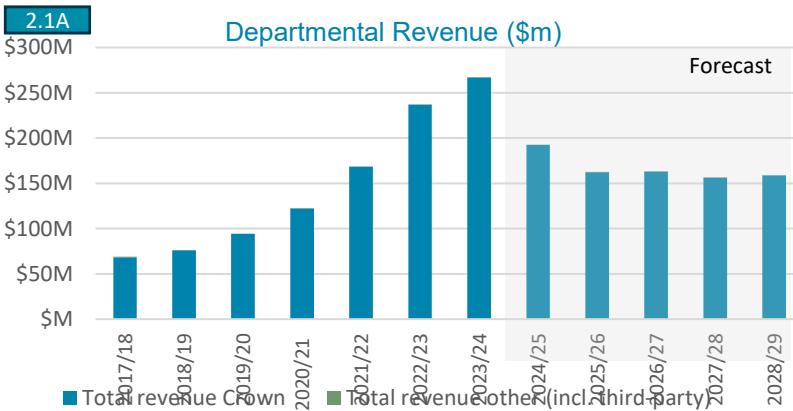
The Ministry's funding saw a peak in FY22/23 followed by a planned steady decline over the following three years as time limited resources came to an end.

Throughout 2023/24 we took a number of steps to prepare for our declining baseline including employing new people on fixed terms. We began strict recruitment controls and chose not to fill approximately 200 positions that we were funded for in that year. These steps have helped limit the impact of the baseline reduction and new savings target.

The Ministry has recently undergone a restructure designed to set it up for its future work programmes and to ensure it can resource itself within its reduced means. Tighter work programme prioritisation and management practices are key levers to ensure we continue to meet our performance outcomes within our smaller footprint.

### DEPARTMENTS WITH THIRD PARTY REVENUE (INCLUDING TAX, FEES, LEVIES, EXCISE, DUTIES AND CHARGES)

#### Revenue sources



#### Scenarios that could impact third-party revenue

Scenarios	Incidence in last 10 years	Likely in next 10 years?
<b>Specific Fiscal Risks related to third party revenue</b>		
<i>There are no specific fiscal risks relating to third-party revenue activity (other than the ETS-related specific financial risks noted above).</i>		
<b>Other potential shocks</b>		
There is uncertainty on future volumes of waste disposal, affected by population growth and policy changes to disincentivise waste. The waste disposal levy forecast builds in assumed reductions over time due to expected behaviour change but this is uncertain. Forecasts are updated regularly. The WMF & TLA expenditure is allocated after revenue has been received, which mitigates the risk of over committing. WMA amendments have expanded the purposes for which the levy can be used. New levy-funded activities need to carefully consider re-balancing to the revenue available, and the levy investment framework could build in a buffer to reduce the risk of the levy being over committed.		
The other third-party revenue streams to the right are not considered vulnerable to shocks.		
9(2)(f)(iv)		

#### Activities funded by third-party revenue and when were they last reviewed

Activity name	% User funded	Date last reviewed	Date next reviewed	Material under or over recovery	Key performance measure and 2023/24 performance
Waste Disposal Levy	100%	Minister must assess the effectiveness of the levy every 3 years. Last review Sep 2024	Cabinet report-backs due in Oct/Nov 2024	Not cost recovery	Percentage of completed Waste Minimisation Fund projects that have achieved a minimum of 80% of the stated objectives.
Tyrewise	100%	Commenced March 2024	3 yearly reviews	Too early to assess	Tonnage of end-of-life tyres collected by the Tyrewise Product Stewardship scheme annually. 2023/24 n/a.
Synthetic Greenhouse Gas Levy	100%	n/a	n/a	Levy is based on average ETS NZU price for the previous calendar year	Administer the funding for the ongoing costs of collecting the SGG Levy by NZTA and New Zealand Customs Service in accordance with MOUs.
Sand Royalties	100%	n/a	n/a	n/a	n/a

### 3. Value and Performance: Key impact areas

#### CLIMATE MITIGATION

##### Current state

- New Zealand's gross emissions increased between 1990 and 2021, though they have remained relatively stable since 2006 and reduced over the last 3 years
- Government has a role to play in leading New Zealand's engagement on the international response to climate change, and aligning our domestic policy settings to fulfil commitments and recognise global trade expectations.
- This role includes setting frameworks, emissions budgets and specific interventions to reduce net emissions to meet climate targets. Without intervention, there would be a gap between the market and these obligations.
- We are on track for EB1 and EB2 with narrow margins for sufficiency, guided by the Emission Reduction Plan. However, we are not on track for emissions budget 3 or the Nationally Determined Contribution (NDC) 1.
- The main tool for emission reductions is the Emissions Trading Scheme.

##### Desired state

- The desired state aligns with Government Target 9, and **supporting the transition to a competitive, low emission economy.**
- A significant component of achieving New Zealand's emission targets and budgets depends on other Portfolios. Planned activities funded through Vote Environment include:
  - Advice and management of the ETS to provide a **stable, credible market which incentivises others to reduce net emissions**, policy advice that enables a wider range of removal activities to be accounted for, and administering time-limited Māori climate action funding
  - Partnerships and policy advice to unlock private investment, including via climate related disclosures, green taxonomy, and partnering with private sector to develop a mobilising private finance strategy
  - Improving the collection, analysis and reporting of data and evidence to support effective domestic decision making and meet international reporting requirements (including via third parties)
  - Administering the Climate Change Response Act 2022 (CCRA) and supporting and operating whole-of-government approach so that **plans and policies are in place across government to meet our targets and budgets** – the actual delivery of the actions to reduce net emissions in these plans sit largely with other agencies.

##### Constraints and opportunities

- The ETS register (supported by the EPA) currently remains secure and supports all current legislative requirements. However, the inability to make changes to reflect future policy decisions poses a risk and would require significant additional funding to update the register to continue to deliver on its legislative purpose.
- 9(2)(f)(iv) [REDACTED]
- The climate response, and economic transition required, provides an opportunity to support broader government priorities. The all-of-government approach enables decision-making that can support co-benefits for other Government priorities.

##### Improvement and learning

- Historically, investment in this area has focused on international reporting requirements rather than understanding performance of government interventions. The Ministry intends to enhance its economic impact evaluation capability.
- Specific opportunities to improve information should align with the monitoring roles of the Climate Change Commission and Climate Change Chief Executives Board (an interdepartmental executive board).

*Notes: Work to reduce waste emissions is covered in the Waste & Hazardous substances System key impact area. There are close connections between this impact area and the Data and Evidence impact area.*

#### WASTE & HAZARDOUS SUBSTANCES SYSTEM

##### Current state

- New Zealand produces high levels of waste and low levels of recycling relative to other OECD countries. However, we are starting to see a levelling off in per capita waste to landfill.
- Access to modern chemicals is limited due to current processes required and outdated hazardous substance ecotoxicological models. The HSNO Act regulatory environment has not kept pace with advancements in gene technology and improvements to EPA ecotoxicological risk assessment models are unfunded.
- Government's role is to address market failures through appropriate settings and ensuring externalities to communities, health and the environment are reduced.
- This role is exercised through administering overarching legislation and targeted regulation to address externalities and overseeing investment of the waste levy.

##### Desired state

- The desired state focuses on **supporting the transition to a competitive, low emission, resource efficient economy.**
- Specific areas for improvement include a per capita decrease in waste disposed to landfill, increasing reuse and recycling of materials, and minimising emissions and environmental harm from waste and hazardous substances.
- Disposal facilities are managed in a way that improves our ability to recover value from waste and enables safe access to modern chemicals.
- **Effective waste management and recovery systems throughout New Zealand to reduce the negative impacts of different waste types** and use a combination of activities to achieve this outcome.
- Planned activities include modernising the Waste Minimisation Act and Litter Act, administering targeted investment of the waste disposal levy, reducing waste emissions, recycling and resource recovery, and reducing harm and addressing legacy issues.
- Other planned activities include progressing the proposed changes to the HSNO Act and addressing the recommendations of the Ministry for Regulation review of agricultural product approvals – EPA component of this is unfunded.

##### Constraints and opportunities

- Decisions need to be taken on the approach to allocating funds collected by the expanded waste disposal levy
  - For B25 - how much funding supports waste and hazardous substances and how much is utilised to generate additional savings opportunities.
  - Beyond B25 - whether potential funding reserves could be utilised to support new investment that protects and enhances the environment, including matters identified as cost pressures or opportunities.
- The extent to which the desired state can be achieved is dependent on a suitable portion of funding being retained to support waste and hazardous substance related activities.
- Updating the EPA's outdated toxicological/ecotoxicological risk assessment models would improve the efficiency of chemical risk assessments and ensure appropriate controls are in place to protect human and environmental health, but this is not funded and would require additional government investment or reprioritisation.

##### Improvement and learning

- There are two ongoing value for money reviews related to the administration of the waste levy funding, and outcomes achieved through investment; and establishing a small number of specific waste outcomes that are measurable and achievable (via CAB-483).
- We have significant waste data gaps, particularly related to non-municipal landfills and the broader waste lifecycle, though recent mandatory data reporting requirements will see this improve over the next few years.

*Note: there are close connections between this impact area and both the Climate Mitigation and Data and Evidence impact areas.*

# 3. Value and Performance: Key impact areas

## MANAGING BUILT AND NATURAL RESOURCES

## CLIMATE ADAPTATION AND NATURAL HAZARDS

### Current state

- Our resource management system is not effectively delivering its intended outcomes.
- Lack of strategic direction, misaligned incentives and burdensome regulation is resulting in market inefficiencies that reduce productivity, add costs, and constrain the ability of our built environment to support the economy and a growing population.
- At the same time, our natural environment has deteriorated, and we are at risk of crossing environmental thresholds which would impact future opportunity costs and the ability of the environment to support the needs of future generations.
- Government's role is to utilise regulatory and non-regulatory interventions to address market failures and influence decision making, so that resource use is efficient, effective and equitable.
- Core functions include evidence-based advice to support design and administration of regulation (eg RMA) that puts rules around natural resource use, and non-regulatory mechanisms that incentivise desirable behaviour (eg investments, guidance).
- There is also a role for Government in oversight of implementation, monitoring and evaluation so that government interventions enable effective and efficient decision-making across the system.

### Desired state

The desired state is to **improve the resource management system to be efficient and effective** in achieving the intended natural and built environment outcomes, alongside economic, social and cultural outcomes. This includes:

- **Greater productivity and faster and cheaper delivery of infrastructure and housing within clear enforceable environmental limits**
- **Simplified and proportionate RM processes, which also provide for a more effective role for Māori in the system**
- **Greater certainty and clarity for participants about intended outcomes and their respective roles and responsibilities.**
- Direct investment is administered efficiently and is aligned across agencies to enable **enduring outcomes and enable impactful solutions.**

The RM system is highly devolved, and the desired state is dependent on a range of system participants and decision-makers. Planned activities funded through Vote Environment include providing evidence-based policy advice to support decisions on:

- A fast-track permitting and consenting regime and targeted National Direction, to reduce inefficient regulation and consents and to provide greater certainty for investment in development
- RMA replacement legislation to address interrelated problems that impact system performance, underpinned by the enjoyment of property rights and focused on managing material environmental effects
- Administering non-departmental environmental funds and exploring non-regulatory approaches to enable decision-makers and private investment

### Constraints and opportunities

- There is no funding for implementation of any specific measures that result from changes to legislation and national direction. Implementation of RMA replacement legislation is subject to future Cabinet decision and likely to need significant investment in future budgets. Options to reduce the scale of future investment required includes early consideration of likely implementation challenges and exploring cost recovery mechanisms.
- Supporting the Fast Track Approvals processes will also generate resourcing pressures. While cost recovery arrangements are being developed, there are some practical challenges regarding full cost-recovery, particularly in relation to the EPA.
- Planned activities largely focus on reducing regulatory burden to enable sufficient development for a growing population. There is limited work funded to manage the negative externalities of development and resource use, and existing Environmental funding (i.e. Jobs for Nature) is time limited. Expansion of the waste levy and enabling greater private investment in improving environmental outcomes are emerging opportunities.
- Developing a system that has sufficient political consensus to be enduring is critical to improving performance in this area.

### Improvement and learning

- Meaningful performance information is currently limited due to dispersed and uncoordinated data ownership, purpose, and format, time lag between action and outcome, lack of stability in the system, and data limitations.
- Opportunities to improve information for this impact area include review of the National Monitoring System, improving environmental reporting by amending the Environmental Reporting Act, developing enduring environmental indicators, and progressing data sharing, use, quality and interoperability agreements.

*Note: There are close connections between this impact area and the Climate Adaptation and Natural Hazards impact area, and the Data and Evidence impact area.*

### Current state

- A range of climate change impacts are locked in, driven by historic emissions, with New Zealand experiencing 1.1°C of warming and 20cm of sea level rise since 1900 and increasingly severe weather events. Current patterns of economic and social activity and natural hazard risk management systems were developed with a static understanding of risk, which is no longer the case under climate change.
- This means there is high risk and cost exposure for asset owners, central and local government. There is a significant gap in comprehensive, consistent, and accessible hazard and risk information needed for a more mature approach to risk reduction at the national, regional, and local levels. Information asymmetry hinders effective market functioning, slows planning and decision-making.
- New Zealand's current regulatory framework for climate change adaptation is nascent. Inconsistent approaches are evident across different regions and local authorities. There is a role for Government to set consistent standards and approaches to risk management and adaptation. Existing powers and levers available to local government are limited in their ability to implement change in response to risks.

### Desired state

- **The resilience of communities, businesses and places to climate change and natural hazards is strengthened.** There is increasing action to reduce risk, particularly via local governments, businesses, and major infrastructure providers. The adaptation **system, roles, risks and cost responsibilities are understood**, coordinated, fair and enduring.
- New development is well-located, natural and built infrastructure is resilient. **The RM system protects our natural environment and helps buffer the impacts of climate change and natural hazards.**
- Communities are prepared and adapting to modelled and predicted changes. They can access and **understand the information needed to prepare for, avoid, or adapt to risks and changes to risk at the national, regional and local level.** This underpins a mature approach to risk reduction.
- Targeted investment and careful planning has reduced risks and costs associated with the impacts of climate change, increased New Zealand's social, economic, and environmental resilience, and reduced post-event recovery challenges.
- Significant activities planned over the medium-term that support the desired future state include the development and implementation of an enduring Adaptation Framework, ongoing implementation of updates to the National Adaptation Plan (in accordance with the Climate Change Response Act), delivering new National Direction for Natural Hazards, an improved data system, time-limited funding and support for Māori climate action, and supporting Treasury's Investment Management System.

### Constraints and opportunities

- 9(2)(f)(iv) [redacted]
- Currently, the Government's cost exposure is unclear and unbounded. Work to build awareness of the specific local risks of climate change and awareness of adaptation opportunities can help to manage down risk and future costs through enabling better market functioning.
- The emerging nature of adaptation approaches and responses mean cost pressures can be difficult to quantify and predict, as is determining the efficiency and effectiveness of actions taken. This is multiplied by the breadth and nature of the sectors involved that will need to take coordinated action (local government, insurance, property etc). Establishing the necessary architecture, beginning with better data and useable risk information, is likely to need long-term investment.

### Improvement and learning

- As a nascent policy space, tracking the impact of new policy approaches will be important. The monitoring role of the Climate Change Commission and Climate Change Chief Executives Board enables oversight across all sectors.

*Note: There are close connections between this impact area and the Managing Built and Natural Resources impact area, and the Data and Evidence impact area.*

## 3. Value and Performance: Key impact areas

### SCIENCE, DATA AND EVIDENCE

#### Current state

- The **quality and accessibility of evidence for decision makers** is critical for informed decision-making across different environmental and climate systems. Science, data and evidence underpin decision-making on climate action and demonstration of performance (e.g. Target 9, housing targets), investment and resilience (e.g. infrastructure), evaluation of policy interventions, and enables us to meet international and statutory reporting obligations.
- Science, data and evidence sources are currently fragmented, in different formats and at different quality levels, held by different entities for different purposes. Current standards and regulations are inconsistent and unclear.
- The case for Government intervention is based on viewing science, data and evidence as a public asset, providing broad societal benefit, better informed decision-making, and unlocking economic productivity.
- Contributing functions sit across the other impact areas and include the National Monitoring System for tracking outcomes under the RMA, waste data, international and domestic climate reporting, climate impact data, MfE's environmental reporting and limits and indicators programme, and the monitoring roles of CCC and CCIEB.

#### Desired state

- The desired state is for decision makers in the environmental management system to **have the best available evidence (including local knowledge such as mātauranga) to make informed, timely and robust decisions**. This information supports private sector and local decision-making, but also aggregates to provide a national view and inform Government decision making. This requires a broad definition of evidence, including information to support consideration of **Māori rights and interests, including Treaty settlement commitments**, in decision-making.
- The government is clearer in its evidence needs and the needs of others. It drives system improvement, accessibility and interoperability to enable more effective and efficient **regulatory and operational processes, to improve outcomes and impacts at national and local levels**, including reduced costs and faster decisions.
- Initial improvements would include amending the Environmental Reporting Act and advancing the following work, initially focused on natural hazards, adaptation and land use:
  - improving modelling capability, methodology, and processes
  - standards to improve data quality, interoperability, collection, monitoring and reporting
  - developing standards and methodologies to be used by local authorities
  - a national risk classification system that identifies areas of land as very-high, high, medium or low risk
  - making priority datasets and models widely available, building on NIWA climate projections
  - staged improvements for land use monitoring, limits and environmental indicators (built and natural env.)
  - potential local pilot projects to make sure data systems serve local decision-making.

#### Constraints and opportunities

- Greater value could be achieved through an integrated and long-term approach to improving science, evidence and data to support system outcomes. A cross-agency roadmap for a shared data system would support decision-makers, as well as potential digital solutions such as AI, machine learning and digital twins.
- Barriers to access (especially costs) and collaboration must be reduced, with better-defined roles and responsibilities for different stakeholders to share data in a consistent format. Data and its infrastructure must be workable and useful for users with diverse experiences, capacities, and access to resources.
- Additional funding would be required, but would deliver significant value for money, supporting greater productivity, to be demonstrated through a joint strategic business case. MfE is investigating options to partner with the private sector and local groups to achieve improved outcomes and leverage existing capabilities.

#### Improvement and learning

- MfE is making significant changes to its operating model, bringing science, data and evidence functions into the same business group, alongside strategy and performance functions. This helps realise economies of scale in terms of both delivery of work and tracking performance outcomes across the systems we administer.
- A joint Cabinet paper is being developed for consideration in late 2024 which will outline our proposed approach to improving the environmental data system. This will draw on PCE reviews and the recommendations of the Science System Advisory Group report. It will also start identifying opportunities for investment and returns.

## 4. Managing within baselines: Current and future drivers

### DRIVERS OF COST PRESSURES AND INITIATIVES FOR MANAGING WITHIN BASELINES

4.1	Operating impact \$m increase, (decrease)						Total
	2017/18	2024/25	2025/26	2026/27	2027/28	2028/29	
<b>Total baseline*</b>	1,128.8	2,946.2	3,009.6	3,177.9	3,373.5	3,399.6	
<b>Operating baseline</b>	1,128.8	2,946.2	3,009.6	3,177.9	3,373.5	3,399.6	<b>Total</b>
Total volume pressures	-	-	-	-	-	-	-
Total price pressures	-	-	1.3	3.4	6.6	8.0	<b>19.3</b>
Total wage pressures	-	-	0.8	1.5	2.3	3.1	<b>7.7</b>
Total other pressures	-	0.6	12.5	12.0	12.0	12.0	<b>49.1</b>
<b>Total cost pressures</b>	-	<b>0.6</b>	<b>14.5</b>	<b>17.0</b>	<b>20.8</b>	<b>23.1</b>	<b>76.0</b>
Total reprioritisation/ savings	-	(0.6)	(14.5)	(17.0)	(20.8)	(23.1)	(76.0)
<b>Net impact on baseline</b>	-	-	-	-	-	-	-

\*includes all operating (departmental, non-departmental, Benefits or Related Expenses (BORE) and revenue dependent appropriations). BORE and revenue dependent appropriations are removed in the operating baseline.

#### Summary of cost pressures:

- Volume pressures:** The Ministry and our crown entities don't currently have any significant services that are driven by population growth. This may be an issue for the future work programme.
- Price pressures:** The Ministry and our crown entities face supply cost pressures driven by inflation and contractual price re-sets. To maintain the same level of services / evidence / advice, we will need to meet the market on CPI price increases.
- Wage pressures:** To maintain the same level of capability, our crown entities will need to meet the market on remuneration increases or else face increased turnover and loss of critical capability and institutional knowledge.
- Other pressures:** EPA is proposed to become the Gene Technology regulator. Waste levy administration funding for out-years is subject to Cabinet report backs on efficiencies, effectiveness and value for money. Increasing exposure to litigation, judicial review and legal risks with policy being tested in the judiciary.

#### Plan for managing within baselines (Table 4.1)

We estimate we could absorb \$76.0m of cost pressures within our baseline by reprioritising within the work programme; realising efficiencies; and making use of cost-recovery and the expanded waste levy. This will be challenging and will largely exhaust future savings options.

Area	24/25	25/26	26/27	27/28	28/29	Description
Volume pressures	-	-	-	-	-	N/A
Price Pressures	-	(1.3)	(3.4)	(6.6)	(8.0)	Increased efficiencies from new operating model, e.g. centralisation of services; smarter financial and work programme management; increased self-service enabled by process, system and technological improvements; reducing overheads such as office space; contract renegotiation to achieve cost savings. CCC and EPA could only absorb by reducing FTEs.
Wage pressures	-	(0.8)	(1.5)	(2.3)	(3.1)	Ministry wage inflation has initially been met by drawing down the salary and wages tagged contingency however this will be insufficient beyond 2029/30, and core capability and service levels will need to reduce. CCC and EPA could only absorb within existing baselines by reducing FTEs. Cost-recovered FTEs (e.g., waste admin) may be able to recover wage inflation via periodic reviews of cost recovery settings.
Other pressures	(0.6)	(12.5)	(12.0)	(12.0)	(12.0)	Ongoing reprioritisation of the work programme to manage down service levels and enable trade-offs. Utilise increased scope of waste levy to support non-departmental funding and admin costs for a broader range of environmental initiatives (subject to legal advice). Amend legislation to reduce current compliance and implementation burden. Increase cost recovery e.g. for aspects of the RM process. MBIE may fund or part fund EPA gene tech regulator.

### FUTURE DRIVERS

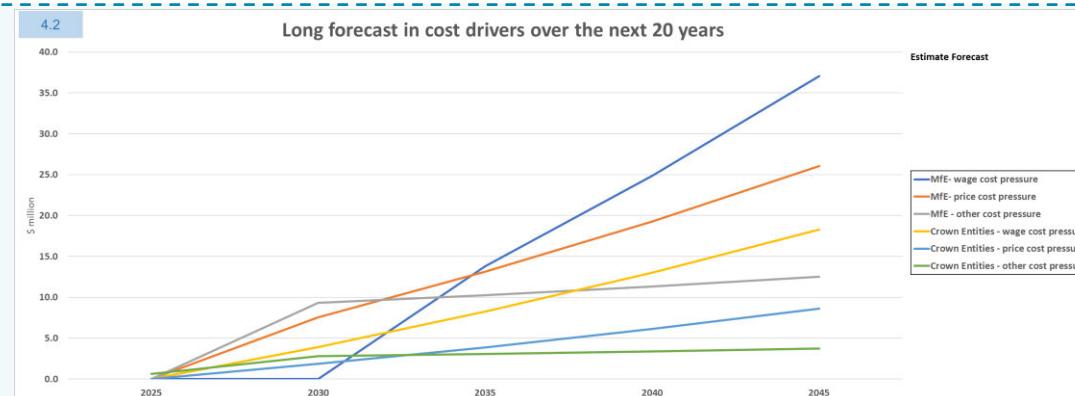
**Global megatrends** such as climate change and population growth will combine to increase pressures on our environment and society. This is likely to increase resourcing needed to support the Ministry's roles in relation to:

- core advisory**, e.g., advising on the government's response and interventions in the Environment, Resource Management, and Climate portfolios

**Depending on the Government's policy approach, the following may also require resourcing:**

- environmental restoration funding** to support others to reduce or remediate existing or future environmental degradation
- system capacity and capability** so that the broader environmental management system is adequately equipped to support the operation of current and future regulatory frameworks

*Note: increased environment pressures may result in a range of additional cost pressures, not all sit within Vote Environment*

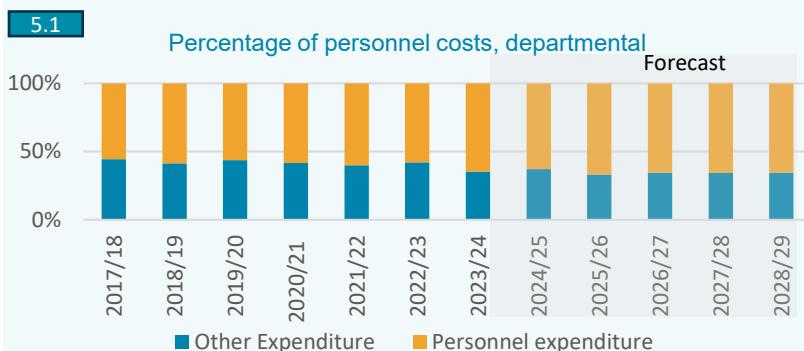


#### Choices to mitigate/manage long term pressures

Policy that causes demand or demand driver	Options to manage this?	Lead time required to make changes?
Core advisory	Work prioritisation / workforce constraint	Quarterly and ongoing
Environmental restoration funding	Waste levy / cost recovery options / incentives for private investment / limit role of government	Multi-year
System capacity and capability	Waste levy / system reform / limit role of government	Multi-year

## 5. Managing within baselines: Workforce and capability

### SUMMARY OF WORKFORCE



#### Contractor and consultant spend

The Ministry seeks to minimise contractor and consultant spend in line with PSC guidance. In 2023/24 contractor and consultant spend was \$23.1M, down from a forecast \$39.2M at the start of the year, due to careful controls and work programme reductions. The forecast spend for 2024/25 is \$21.5M, in line with a lower overall baseline following Budget 24 savings. This spend addresses capability gaps in some specific areas including modelling, ensures we can deliver at pace in the complex and high-priority RMA Reform and Fast-Track Consenting programmes, and maintains around \$10m funding per annum for critical data and evidence spend. C&C spend will decrease as the work programme matures. To ensure the Ministry continues to operate within its means, engagement of any contractors must be approved by the ELT.

#### Impact of workforce

5.4

	Resource Mgmt	Climate Adaptation	Climate Mitigation	Waste / HSNO	Data and Evidence
Total FTE by impact areas	223.5	66.5	104.5	106.5	108.5
1. People leader	35	6	11	13	11
2. Policy and Enablement	169.5	60.5	93.5	68.5	97.5
3. Compliance	0	0	0	11	0
4. Investments	19	0	0	14	0

#### Explanation of workforce breakdown:

The above Key Impact Areas make up 70.7% of our permanent and fixed term workforce for FY24/25. Policy and Enablement includes core policy, evidence, implementation, regulatory system stewardship and partnerships functions.

In addition, our workforce includes:

- Ministerial servicing (includes ministerial services, private secretary services, official & parliamentary information) functions account for 3.7% (32 FTE) of our workforce.
- Performance monitoring includes programme and project management, governance and Crown Entity Monitoring accounts for 7.6% (65FTE).
- Corporate functions, such as Finance, Procurement, IT, Legal and HR account for 18% (151 FTE).

#### Workforce changes required to ensure delivery in the key areas of impact

Change required (including targeted workforce segment)	Current state (% of target workforce)	Ideal state within the time horizon	Plan to achieve the change	Risks, challenges, and barriers	
<b>Resource Mgmt</b>	Extra GIS spatial specialist capability to inform decisions re: housing and urban development market.	80%		Leverage skills across agencies	Relevant skills exist in market; data for analysis is a key dependency.
<b>Climate Adaptation</b>	Uplift in risk modelling, strategic risk management, and ability to upskill regulated parties in adaptation institutional architecture requirements	90%	Risk capability by end 2025 Remainder for FY26/27 and 27/28	Risk capability via reprioritising roles through attrition Remainder through funding bid tied to implementation of new legislation	
<b>Climate Mitigation &amp; Markets</b>	Uplift in assurance capability for market governance, economics analysis and private sector partnering.	90%	Complete by Dec 2025	Cabinet decision to determine direction for market governance initiatives	
<b>Waste/ HSNO</b>	Uplift in capability of existing workforce; levy increase lifting sector demand for compliance staff.	100%	Complete by end of 24/25	Development; compliance function may shift to EPA in time	Difficult to pivot to new focus areas if required
<b>Data and Evidence</b>	Upskill technicians to translate evidence into policy, science communication; specialist data coding, modelling.	65-80%	Complete by end of 24/25	Development; investigate collaboration with other agencies re: spatial data	

#### Strategy for workforce costs, including remuneration

The Ministry has undertaken a significant change to its operating model, with a resulting new structure effective 1 November 2024. This structure formalises reductions to achieve FY24/25 and 25/26 FTE numbers.

Further work will be commissioned closer to the end of FY25/26 to deliver reductions scheduled for FY26/27 and 27/28. Potential initiatives for consideration include use of fixed term roles, recruitment controls and management of attrition.

The Ministry is currently undergoing bargaining negotiations with the PSA. We have aligned with Treasury guidance, and actively considered our current and future fiscal positions when determining potential responses to claims.

#### Capability – non-workforce (e.g. organisational systems, processes, governance, technology and data)

A review of the Ministry's operating model in 2023 identified most of the organisation's systems, processes, tools, technology, and enabling functions were at relatively low maturity levels following a period of rapid growth and an intensive focus on delivery. There is also an ongoing need to implement new centrally-mandated changes to our systems e.g. from the Govt Chief Digital Officer.

We are now implementing changes to lift the maturity, financial and operational sustainability of our capabilities as the Ministry scales down. Key risks include limited funding for business improvement, and pressure on a smaller number of staff to provide BAU services while designing new service delivery models. Risks are being managed through careful phasing of improvement initiatives and prioritisation of limited funding.

\*Workforce information including for key impact areas is for MfE and CCIEB only. Crown Entity workforce data can be found on later slides.

## 6. Managing with baselines: Investment and monitoring

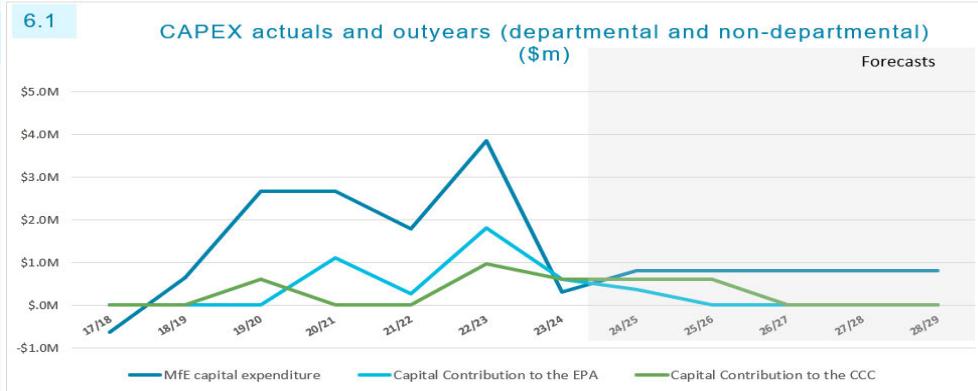
### INVESTMENT (\$200M+)

#### Investments in the planning stage (departmental and non-departmental)

The table below outlines departmental or non-departmental investments over \$200m in the planning stage.

Project	Total Cost	Forecast business case approval	Forecast delivery start	Forecast completion	CBA
(AGENCIES MAY NEED TO POPULATE)					

*This section has been left intentionally blank as there are no departmental or non-departmental investments that meet the criteria.  
The Investment section is only to be completed by departments who have investments of more than \$200 million (capex + opex) in the planning stage.*



#### Assurance on delivery of investments

*This section has been left intentionally blank as there are no departmental or non-departmental investments that meet the criteria.  
The Investment section is only to be completed by departments who have investments of more than \$200 million (capex + opex) in the planning stage.*

#### Implementation of \$200m+ projects in the last five years:

Total no. of projects	No. assessed	Met or exceeded expected benefits	On time	On Budget	To scope
(This section is blank as no projects meet the criteria)					

*This section has been left intentionally blank as there are no departmental or non-departmental investments that meet the criteria.  
The Investment section is only to be completed by departments who have investments of more than \$200 million (capex + opex) in the planning stage.*

### MONITORING STATEMENT

The Ministry carries out its monitoring role in relation to the EPA and the Commission in line with best practice guidance issued by the Public Service Commission. The Ministry ensures that risks and issues are identified, understood, and being mitigated appropriately through regular interactions with the entities. We meet with the executive of both entities at least quarterly to discuss matters of significant contextual relevance, service and financial performance, and challenges and opportunities.

The entities provide quarterly reports to the Ministry and/or Minister that include information on:

- delivery of statutory functions
- meeting Ministerial expectations
- financial statements
- operational activity
- organisational risks.

The Ministry ensures that responsible Ministers are aware of entity performance, and risks and issues, through quarterly reporting and other 'no surprises' updates.

Inductions are provided for new Chairs and board members, as appropriate, covering topics such as the role of the Minister and monitor, legislative context and board member accountabilities.

In addition, the Ministry is working in partnership with the EPA and the Commission to develop a written Crown entity monitoring framework to formalise our existing monitoring approach.

#### Performance risks

##### Climate Change Commission

The Commission states that it could face significant cost pressures in future years, such as costs for potential legal action related to its advice, increased wages and Board activity, and inflation. The Commission advises that it will be challenging to absorb these cost pressures with a reduced budget. The Commission has also noted the reduction in its funding could impact on the quality and depth of its advice. A restructure has recently been completed to realign funding and resources, and the Commission will be making changes to its delivery model and ways of working through a change project.

##### Environmental Protection Authority (EPA)

A key risk for the EPA is its ability to effectively deliver its statutory functions within the baseline funding available. The EPA is committed to delivering a break-even budget in 2024/25 after operating with a deficit for several years. The EPA cannot take on additional functions e.g., around fast-track approvals or new GMO regulatory responsibilities, without additional funding or re-prioritising its work programme. We note that bridging finance for the EPA to setup fast-track approvals processes is being sought through Cabinet late November.

Due to funding and resource constraints in recent years, the EPA has not been able to process the volume of hazardous substances applications it receives in a timely manner. The EPA is working to improve the performance of its hazardous substances functions, but significant improvements will be challenging without additional funding.

The ETS Register is nearing the end of its useful life. A replacement will require significant government investment and take several years. The age of the existing Register limits any ability to make changes for new reporting and policy requirements. Policy decisions are also required to determine future functionality requirements. Investment decisions will be required ahead of the expiry of the Register's current IT support contract in 2029. The EPA is aiming to keep the Register operational and will keep Ministers apprised of emerging risks.

# 7. Environmental Protection Authority

## TARGETS AND PRIORITIES

### Government priorities / targets

Our 2024/25 Letter of Expectations focuses our contributions on the following environment sector priorities:

- Enabling economic growth
- Cleaning up freshwater
- Boosting biodiversity
- Delivery for climate
- Protecting and celebrating oceans
- Reducing waste
- Fixing planning laws

We contribute to the Government target of '*reduced net greenhouse gas emissions*' through managing the administration of the Emissions Trading Scheme (ETS), including compliance, reporting and market information and operating the Register. The ETS is the primary method for the New Zealand Government to achieve its long-term commitment to reduce our greenhouse gas emissions.

### Strategic priorities

Our vision of an '*environment protected, enhancing our way of life and the economy*' is underpinned by four strategic goals:

- Protecting the environment and people
- Informed decision making
- Strengthening trust in the EPA
- Productive relationships

The EPA is aligned with Minister expectations to focus on key areas of work, including:

- Hazardous substances performance
- The Emissions Trading Scheme (ETS) Register
- Fast-track consenting regime

### Strategic and operational risks

Risk of **EPA operating outside of funding limits**. The EPA has committed to achieving a breakeven financial position for the 2024/25 year.

Risk that the **ETS Register may not deliver on legislative purpose**. At present, the Register remains secure and supports all current legislative requirements. However, operational risk is increasing as the Register nears its end of life, and our ability to accommodate any further changes to implement new or changing policies is limited.

Risk the **EPA's IT systems (excluding the ETS Register) are not sufficiently maintained** or updated or are impacted by internal and external security breaches.

Risk of **increasing operational throughput** is limited by resource constraints, aging systems, and a focus on cost minimisation. Additional expectations from our Minister cannot be met without further reprioritisation.

## FINANCIAL FORECAST

\$ Millions	2024/25	2025/26	2026/27	2027/28
Revenue	37.7m	36.5m	36.5m	36.5m
Operating Expenditure	37.6m	36.4m	36.4m	37.6m
<b>Operating surplus / (deficit)</b>	<b>0.1m</b>	<b>0.1m</b>	<b>0.1m</b>	<b>(1.1)m</b>
Third party fees	5.2m	5.2m	5.2m	5.2m
Application costs	5.3m	5.3m	5.3m	5.3m
<b>Cost Recovery surplus / (deficit)</b>	<b>(0.1)m</b>	<b>(0.1)m</b>	<b>(0.1)m</b>	<b>(0.1)m</b>
<b>TOTAL SURPLUS/ (DEFICIT)</b>	<b>0.0m</b>	<b>0.0m</b>	<b>0.0m</b>	<b>(1.2)m</b>

A key finding of the independent 2022 Functional and Funding Review stated the EPA is "*efficient and effective*", and "*making good use of available resources*", but "*funding constraints and current focus on cost minimisation and reactive work pose the potential for decreasing effectiveness over time*".

- In 2024/25 we are undergoing a change process to reduce staff numbers and enable a break-even financial position.
- With our current legislative remit, we project to remain financially sustainable until 2026/27.
- Beyond this time, if there is no uplift in Baseline Crown Funding, then further reconfiguration of the EPA will be required to offset inflation and remain financially stable.

## MANAGING WITHIN BASELINE

### Actions taken or planned to manage within existing baselines

To support the government's priority of delivering public sector cost savings, the EPA will deliver against a break-even budget for 2024/25 and reduce future financial pressures to the Crown. This will require reprioritisation to reduce existing expenditure by approximately \$4 million per year (12 percent of Crown funding) and overcome further inflationary pressures.

Already, the EPA has:

- reduced reliance on external consultants
- restricted new recruitment and backfilling
- downscaled community outreach programmes
- sought to limit long-term investments programme
- refocused on immediate remit and core operations.

The need to reduce the size of the EPA workforce by around 16% has also been identified. This is currently in a consultation process.

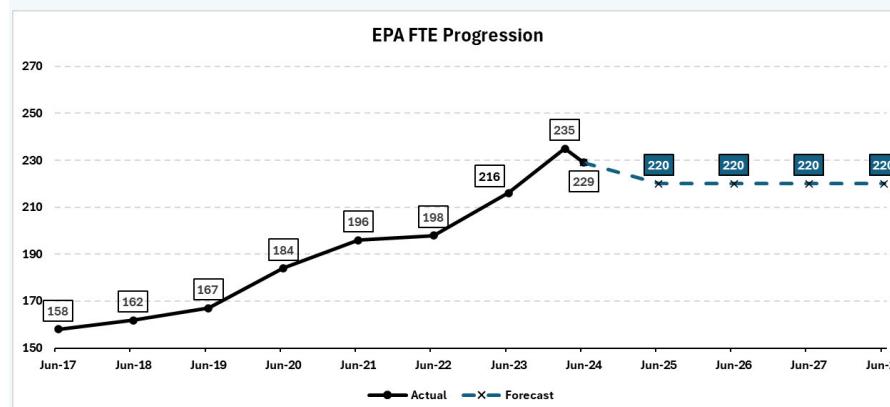
Further restructures may be required to offset inflation from 2026/27 onwards.

### Challenges and opportunities

- Cabinet paper CAB-24-SUB-0296 proposes the EPA to become the **Gene Technology regulator**. This opportunity could improve the regulatory settings but requires funding and implementation.
- The **Fast-track Approvals Bill** recommends the EPA has a greater role. Additional funding is required to set up systems and processes to support this new function.
- The EPA has recently completed a **change process**, to deliver public sector cost savings. Outcomes are now being implemented.
- The **ETS Register** requires replacement to meet future policy needs. Significant government investment will be required and a replacement project will take several years.

## WORKFORCE

FTE forecasts – 2024/25 and 3 outyears



### Drivers and implications of change(s) in FTE

**FTE Progression to Date** has increased as new functions and associated activities have been added over time.

**Our outlook for FTE** progression is a reduction. The EPA has undertaken a change process to reduce the number of Corporate and Engagement roles to achieve a breakeven budget position.

Following the full implementation of the new structure, the EPA will be aligning its workforce strategy with government priorities including the workforce policy statement.

# 7. Climate Change Commission

## TARGETS AND PRIORITIES

### Government priorities / targets

While small in footprint, the Commission plays an important role in the climate policy system. Our statutory purposes are to provide independent, expert advice to the Government on mitigating and adapting to the effects of climate change, and to monitor and review the Government’s progress towards its emissions reduction and adaptation goals.

This supports the Government target of “Reduced net greenhouse gas emissions” (target 9). For example, through our advice on emissions budgets and emissions reduction plans (as key target delivery actions), as well as reporting progress against the national adaptation plan and advising on NZ ETS settings.

In line with the Government priority for fiscal sustainability, the Commission is working to right-size our approach to our statutory work programme and manage within our appropriation.

We incorporate strong evidence and evaluation practices to deliver robust reporting and drive greater value for money, in line with the enduring letter of expectations.

### Strategic priorities

The Commission's strategic priorities are anchored in our statutory responsibilities under the CCRA and as an independent Crown entity. What we do, and in many cases what we must consider as we do it, is specifically outlined in the Climate Change Response Act 2002.

Our three strategic intentions for 2023-27 – Connect, Deliver, Build – describe our medium-term objectives for improving our performance with respect to the production of our statutory deliverables and the strengthening of our organisational foundations.

### Strategic and operational risks

Risk	Description	Mitigations
Finances	Costs of growing work programme exceed existing and likely future appropriations.	Major cost reductions completed, continue to closely monitor. Explore opportunity to partner with others on building evidence base.
People	Our staff capital drops below a sustainable threshold necessary to deliver statutory outputs and core functions. Staff health, safety & wellbeing is impacted.	Retain staff capability as far as possible within budget, re-scope work where possible. Continue programme to support staff wellbeing.
Legal challenge	Resource pressure leads to choice between quality reduction and non delivery and opens Commission to successful legal challenge.	Work closely with monitoring agency in making trade offs decisions. A small contingency fund of \$500k is held for unexpected legal costs.

## FINANCIAL FORECAST

COMMISSION TOTAL	Budget 2024/25	Indicative OY1 2025/26	Indicative OY2 2026/27	Indicative OY3 2027/28
Revenue	16,103,000	14,904,000	14,904,000	14,904,000
Interest	100,000	100,000	100,000	100,000
<b>Expenditure:</b>				
Personnel	(11,784,540)	(10,938,618)	(11,049,970)	(11,172,445)
Contractors, Consultants & Legal	(1,342,335)	(966,589)	(811,132)	(729,396)
Travel	(150,000)	(154,500)	(159,135)	(163,909)
Board Fees	(597,000)	(614,910)	(632,326)	(650,248)
Board Expenses	(39,840)	(41,035)	(42,186)	(43,370)
Property & Equipment	(904,934)	(932,082)	(960,045)	(988,846)
ICT	(564,380)	(581,311)	(598,751)	(616,713)
Insurance & Financial	(147,392)	(151,814)	(156,368)	(161,059)
Other Operating Expenses	(248,333)	(255,783)	(263,456)	(271,360)
Depreciation & Amortisation	(373,560)	(367,357)	(330,631)	(206,653)
<b>Total Expenses</b>	<b>(16,152,315)</b>	<b>(15,004,000)</b>	<b>(15,004,000)</b>	<b>(15,004,000)</b>
<b>Operating Surplus/(Deficit)</b>	<b>50,685</b>	<b>0</b>	<b>0</b>	<b>0</b>

The table reflects the forecast as at 18 September 2024, taking into account the realised savings from our recent restructure. From FY23/24 we have decreased our expected expenditure by ~\$4M and a further ~\$1M from FY24/25 to FY25/26 through a combination of personnel, contractor/consultant and other operating savings.

In order to manage the effects of inflation (~\$200k p/a over outyears two and three), we plan to further reduce our contractor/consultant spend and reduce our headcount through attrition. However, these reductions increase the Commission’s risk of non-compliance with our statutory obligations, and decreases our ability to respond to emerging issues in the climate policy system.

This year we have requested a change of our capex appropriation to an opex appropriation as it more accurately reflects the nature of the expenditure the funding is for. If approved this would increase our operational revenue however it is not reflected in the table above yet to take a prudent approach.

## WORKFORCE

Commission FTEs have grown since its establishment in 2019 as the requirements for delivering on our statutory obligations became clearer. In preparation for 2024 as our biggest year of delivery to date and to reduce the risk of reliance on contractors and consultants, additional staffing capability and capacity was added.

Due to baseline funding decreases from FY25/26, the Commission has restructured. This resulted in the disestablishment of 18 occupied roles, and a further 11 vacant roles which equates to about one third of our staff.

We expect the workforce to decrease slightly through attrition over the next few years to absorb inflationary increases.

## MANAGING WITHIN BASELINE

### Actions taken or planned to manage within existing baselines

In FY24/25 we undertook a full Commission restructure to align costs within our revised baseline. Post restructure, as remaining staff leave, consideration will be made to hold the vacancy or replace senior with junior staff to try and reduce costs further.

**Other actions taken:** no salary increases in this financial year; reduced expenditure on travel and learning and development; and a critical planned redevelopment of our website has been paused until funding can be made available.

Operationally, there will be more focus on upfront scoping of deliverables and seeking efficiencies through identifying future evidence and advice requirements across our deliverables; and standardising project management for Commission projects.

We continue to explore other cost savings such as further shared services and reviewing the arrangements we currently have in place. We will also further reduce contractors/consultants where feasible.

### Challenges and opportunities

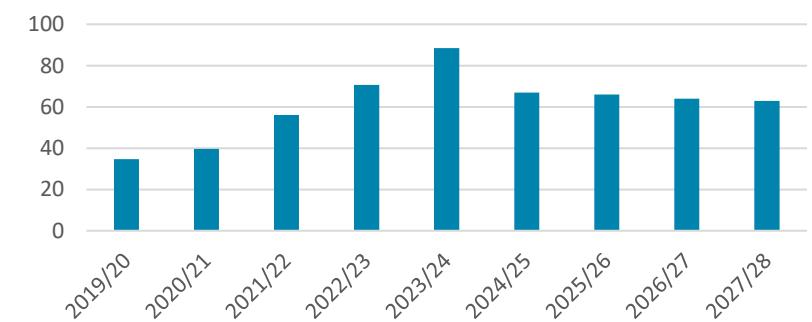
We are still in the first round of delivering our work as defined under the CCRA and therefore some projects are still untested in terms of the size and scope required. For example, the National Climate Change Risk Assessment is due in 2026. The Assessment informs the Government’s next national adaptation plan, and supports decision-makers to better understand the range of climate risks/opportunities that Aotearoa faces and identify which risks need to be addressed most urgently.

The Commission’s appropriation is small in terms of Crown funding. This means that we are unable to absorb further cost pressures without risking the delivery of our statutory obligations and impacting the efficiency and effectiveness of New Zealand’s climate policy system.

Our reduced staffing capacity means we are fully committed in terms of workload. Further reductions to manage the effects of inflation will impact the scope, breadth and depth of our advice to Government and monitoring of progress against climate goals.

If there are additions to our work programme, e.g. a request under s5K of the CCRA, we may not have the permanent capability on staff and would need to engage contractors/consultants, and rescope other work, to be able to accommodate it. If the Commission is subject to further judicial review of its work, it will be very challenging to respond within existing baseline.

FTE (permanent and fixed excluding vacancies)





## Briefing: Resource management implementation funding

Date submitted: 13 March 2025

Tracking number: BRF-5971

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Chris BISHOP <b>Minister Responsible for RMA Reform</b>	Finalise and action letter to MoF and schedule Ministerial bilateral	14 March 2025
CC Hon Simon WATTS <b>Minister of Climate Change</b> CC Hon Penny SIMMONDS <b>Minister for the Environment</b>	N/A	N/A

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ).

Appendices and attachments
1. <a href="#">Letter to Minister of Finance</a>
2. <a href="#">Funding Scenario Overviews</a>

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Jennifer Hutcheon	9(2)(a)	✓
Deputy Secretary	Nadeine Dommissse		
Chief Executive	James Palmer		

Minister's comments

# Resource management implementation funding

## Key messages

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1. Reforming the resource management (RM) system is a key pillar of the Government's Going for Growth agenda, aligned with Budget 2025's focus on economic growth. It is also a commitment in both coalition agreements.
2. You have made clear your expectation that RMA replacement is ready for local government implementation in 2027. This requires legislation to be developed in the next financial year, as well as much of the underpinning implementation work, such as standardised zones, environmental limits, national direction, establishment of new institutions, and digital programme support (eg, e-plan).
3. The Ministry submitted a bid for 9(2)(f)(iv) (9(2)(f)(iv) of new funding) over four years to fund this work in December 2024 with the Ministry proposing to meet 50% of these costs from within its current appropriation.
4. On 12 March 2025, we became aware the Treasury had recommended to the Minister for Finance (MoF) that no new funding be provided for this work, with all costs to be absorbed within the Ministry's baseline. A programme business case was also required.
5. We support the recommendation for a business case to more accurately identify RM system funding needs in future years, specifically focused on establishing new entities and digital support, which are less-well scoped and could be relatively expensive.
6. However, we are concerned that without at least 9(2)(f)(iv) of new funding for the first two years, the Ministry would either be unable to meet your 2027 timeframe (and delay the implementation by at least a year), or it would significantly impact delivery across other Vote Environment ministerial portfolios and our statutory obligations. Delay would likely mean reform benefits could not be realised until 2029 or later.
7. We believe the Treasury advice has misunderstood the bid's timing and sequencing, with resourcing heavily frontloaded to fund peak activities in the coming financial year.
8. The bid submitted addressed this critical peak and proposed 9(2)(f)(iv) for 2025/26 with resourcing rapidly declining to 9(2)(f)(iv) a year by 2028/29. Contingency-tagged funding of 9(2)(f) over four years was also sought to enable the proposed compliance regulator and planning tribunal.
9. The immediate peak in work was not reflected in the Treasury's advice to MoF. Treasury's analysis simplistically smoothed the cost of RMA replacement evenly across four years, incorrectly interpreting when the funding requested is actually needed. Treasury then made a further error by assuming the full 50% of reprioritisation proposed by the initiative could be achieved in the first two years, effectively assuming all reprioritisation over the next four years could be pulled forward into the next two years. Treasury officials did not contact us to discuss these assumptions before submitting their advice.
10. We recommend you urgently discuss the need for \$9(2)(f)(iv) of one-off new funding over the next two years through Budget 25 to deliver on your expectations of when the new Resource Management system will be implemented.

## Recommendations

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We recommend that you:

- a. **note** the Treasury's advice on funding for implementation of the resource management reform and need for a programme business case
- b. **note** the implications of this advice in terms of delayed implementation and realisation of economic and system benefits, as well as potential impacts across other portfolios and the Ministry's statutory obligations
- c. **sign** and send the attached letter [Attachment 1] to the Ministry of Finance highlighting these concerns and proposing an alternative approach comprising:
  - i. additional funding of 9(2)(f)(iv) with the remaining cost met through reprioritisation
  - ii. delivery of a programme business case for funding in subsequent years, focused on establishment of new entities, digital programme support (i.e., e-plan), and policy development for associated cost recovery
- d. **meet** with the Minister of Finance for further discussion, with supporting materials to be prepared by the Ministry and shared with the Treasury.

Yes | No

Yes | No

## Signatures

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James Palmer  
Secretary for the Environment  
**Ministry for the Environment**  
13 March 2025

Hon Chris BISHOP  
**Minister Responsible for RMA Reform**

**Date**

# Resource management implementation funding

## Purpose

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11. Budget Ministers are considering their preferred Budget 25 package, informed by a recommendation from the Treasury to not fund implementation of Phases 2 and 3 of the Resource Management Reform until a programme business case is submitted.
12. The Treasury has recommended that you initiate discussions with the Minister of Finance via letter as soon as possible, should you wish to put forward an alternative proposal.

## Background

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13. Through the Budget 25 process, in December 2024 you responded to an invitation from the Minister of Finance to submit a bid for Resource Management implementation that:
  - i sought 9(2)(f)(iv) in funding to cover Ministry costs over 3 years, front-loaded for 2025/26 to accelerate implementation and realisation of economic and other benefits
  - ii offered a savings offset of 9(2)(f)(iv) or 50% to be absorbed by MfE within its current appropriations
  - iii indicated an additional 9(2)(f)(iv) over four years for establishment of new RM entities should be held in contingency
14. Budget Ministers are in the process of compiling the final Budget 25 budget package. On 12 March 2025, the Minister of Finance (MoF) provided you visibility of the Treasury advice. This advice recommended no new funding and informed her decision.
15. Other Budget 25 workstreams are also likely to have resourcing implications for the Ministry (ie, 9(2)(f)(iv) ). This will put further pressure on the ability to deliver and reprioritise within existing baseline funding.

## Analysis and advice

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### Analysis of Treasury's advice to the Minister of Finance

16. The Treasury's advice to the Minister of Finance recommended removing the RMA reform implementation initiative from the budget package, based on a four-year smoothing approach that assumes:
  - i taking the four-year total of the initiative which was 9(2)(f)(iv) (excluding 9(2)(f)(iv) a year or 9(2)(f)(iv) in total for new regulators)
  - ii spreading that amount evenly over four years (9(2)(f)(iv) per year over two years)

- iii assuming the full 50% of reprioritisation proposed by the initiative could be achieved in the first two years, effectively assuming all our reprioritisation over the next four years could be pulled forward into the next two years
- iv deferring funding of 9(2)(f)(iv) per year for the last two years pending a business case.

17. The approach has not recognised the need for frontloaded funding to reflect:

- i the rapid transition outlined in the Phase 3 Cabinet paper - *Replacing the Resource Management Act 1991 – Approach to development of new legislation*
- ii a peak of work in financial year 25/26 to deliver critical system architecture (i.e., standardized zones), initial implementation work to be completed by the end of 2025/26 (to enable implementation by councils in 2027), and initial work needed on the digital support programme (i.e., e-plan).

18. The table below shows the differences between the initiative you approved to be submitted in December versus what Treasury has recommended to the Minister of Finance.

		2025/26	2026/27	Total \$m	2027/28	2028/29	Total \$m
		\$m	\$m	(2 years)	\$m	\$m	(all years)
<b>MfE request</b>	<b>(frontloaded funding)</b>	9(2)(f)(iv)					
Funded by	Reprioritisation						
	Additional funding						
<b>Treasury advice</b>	<b>(4 years smoothing)</b>						
Funded by	Reprioritisation						
	Additional funding						
Shortfall	Additional funding						

19. The Ministry’s bid sought a frontloaded funding profile, with 9(2)(f)(iv) in the first year, and 9(2)(f)(iv) in the second, totalling 9(2)(f)(iv) in additional funding for 2025/26 and 2026/27. This left an additional 9(2)(f)(iv) of funding to be covered in 2027/28 and 2028/29. The Ministry had proposed to cover 50% of the costs through prioritisation, with 9(2)(f)(iv) achieved through reprioritisation in the first year, and 9(2)(f)(iv) in the second, and 9(2)(f)(iv) across the subsequent 2 years 2027/28 and 2028/29.

20. However, the Treasury’s ‘smoothing’ and split of the funding across the four years meant that 9(2)(f)(iv) of reprioritisation was brought forward to 2025/2026 and 2026/27, just as the peak of the workload is required, removed additional funding requested, and

required a programme business case for any future funding, which would not align with the peak of work programme effort.

21. The above table shows that for Treasury's recommendations there is a gap of 9(2)(f)(iv) in 2025/26 and 2026/27 to progress the intense combined policy and initial implementation period that was reflected in the initiative.

## **RM Reform Programme commitments**

22. You have directed delivery of the RM Reform programme to accelerate its contribution towards the government's economic growth agenda, including:
  - i delivery of the Resource Management (Consenting and Other System Changes) Amendment Bill, currently before the Environment Committee, requiring implementation in late 2025 and into 2026.
  - ii Phase 2 targeted national direction reform, with policy work continuing until at least the end of 2025, including public consultation, submissions analysis, policy advice, drafting and at least three cabinet processes, followed by implementation support from the Ministry in 2026.
  - iii Phase 3 RMA replacement, with two new Acts to be introduced by the end of 2025 and 80-90% of critical system architecture (i.e., new standardised zones, national direction, environmental limits, policy work for institutional change and initial design work on our digital programme (ie, e-plan)) in place by the end of 2026 to enable local government to implement through their plans from 2027, allowing alignment with long term plan development in 2028.
23. The Phase 2 national direction programme is the single biggest suite of national direction changes progressed by any Government at one time. It is expected to be progressed at the fastest pace that substantial national direction proposals have ever been delivered. This work cannot be under-resourced without adverse impacts on its effectiveness.
24. Phase 3 replacement of the RMA requires complex legislative design with a fundamentally different approach to land use planning and environmental protection, with careful management of other legislative intersections (i.e., Treaty Settlement acts).

## **Implications for Ministerial expectations**

25. Attachment 2 provides an outline of implications for two scenarios – with and without additional funding through Budget 25.
26. Treasury's recommended approach of no additional funding would mean:
  - i delayed policy work, including standardised zones, environmental limits and national direction, establishment of new entities and digital support
  - ii delayed implementation of the new resource management system
  - iii delayed realisation of economic and other benefits.

27. This would result in not meeting Ministerial expectations for accelerated delivery of Resource Management Phases 2 and 3, and council plan development in 2027 could not be achieved.
28. New entities such as a planning tribunal and compliance regulator would not be able to be established until 2027/28 at the earliest, subject to the outcome of the business case and future budget decisions. Digital initiatives such as an e-plan would also be delayed.
29. Under Treasury's approach, we would need to sequence work to deliver:
  - i 2025/26: Phase 2 national direction and Phase 3 primary legislation only
  - ii 2026/27: national direction, standardised zones and other secondary legislation and implementation support required by local government to begin planning
  - iii 2026/27: development of a programme business case for establishment of new entities (eg. tribunal and regulator) and a digital support programme (eg. e-plan) along with policy work on cost recovery for these initiatives, and design and delivery of new mechanisms (eg. new allocation approaches)
  - iv 2027/28: support for local government to start implementation, stand up the new entities, and start delivering the digital support.
30. Under this scenario, we expect we would be able to deliver the Phase 2 national direction programme and the primary legislation to replace the RMA only by mid-2026. All the remaining elements of the new system required to support local government implementation would need to be developed during 2027 and would likely be in place by the end of 2027 at the earliest.
31. This would mean that the new system would not be ready for local government implementation until 2028 at the earliest (adding pressure to councils' long-term plan development in 2028), with preparation of new system national direction including nationally standardised zones, establishment of a planning tribunal or compliance regulator and digital support such as e-plan also delayed until 2027/28.
32. Alternatively, should the additional funding be declined, discussions would be required with your ministerial colleagues to reprioritise funding from elsewhere across the environment and climate portfolio to support RMA implementation without delays. The Ministry is currently undertaking the largest suite of legislative reform it has ever undertaken for ministers, including the Climate Change Response, Hazardous Substances and New Organisms, Waste Minimisation and Environmental Reporting acts – all with a view to driving more efficiency and effectiveness in these regimes. Further reprioritisation may also result in difficulties with delivering upon the Ministry's ongoing statutory obligations.
33. Pursuing the option of further reprioritisation within the Ministry's existing work programme will also face constraints in terms of skill and capability mix that is currently aligned to the various legislative functions the Ministry holds. To free up funding from within the Ministry in order to procure the capability required to fully fund the Phase 2 and 3 programmes on your preferred timeline will likely involve further internal change processes as well.

## Recommendation

34. To avoid delayed implementation, or adverse impacts across other Ministers' portfolios and the Ministry's statutory obligations, we propose:
- i. You discuss the need for additional funding of 9(2)(f)(iv) over the next two years to accelerate implementation and realisation of economic benefits - this funding would provide for development of legislation, national direction, and standardised zones in order to deliver Ministerial expectations for implementation of the new system by 2027; and
  - ii. The Ministry progresses work to deliver a programme business case for funding in subsequent years, focused on establishment of new entities (currently estimated at 9(2)(f)(iv)), implementation of new allocation approaches, and digital support such as an e-plan (costs to be determined).
35. This separation would bring the more costly aspects of implementation (new entities and digital support) into a programme business case process, without delaying the more substantive policy-focused work needed in 2025/26.
36. A draft letter outlining this approach to the MoF is attached [Attachment 1].

## Te Tiriti analysis

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37. No Tiriti issues are associated with the proposals in this briefing.

## Other considerations

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### Consultation and engagement

38. We have engaged with the Treasury to test the option of increasing their recommended funding in the first two years by a total of 9(2)(f)(iv) of one-off new funding to match the initiative as submitted. The Treasury signalled that this proposal should be addressed through a Ministerial level conversation as soon as possible.

## Next steps

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39. A Ministerial level conversation with the Minister of Finance is needed as soon as possible.
40. In advance of this, we have drafted a letter [Attachment 1] to signal your concerns and the implications of not receiving additional funding through the Budget 25 process.
41. Should your engagement not change Minister of Finance's position, you will then need to explore two options:
- i. Decisions to rescope and adjusting the timeframe for Phases 2 and 3 of the Reform, including delaying implementation; or

- ii Engagement with other Vote Environment Ministers to identify options to delay or stop work across their Portfolio priorities to free up resources to deliver RM, including considering trade-offs around meeting statutory obligations and further internal change at the Ministry.

Note: this letter did not proceed beyond the draft stage

MO tracking code

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings

Dear Nicola,

Thank you for providing the Treasury's advice on the Resource Management Reform new funding bid that is guiding your development of the Budget 25 package decisions.

I am concerned the advice misunderstood the phasing of work required to deliver our commitments for a reformed resource management system within this term, and the fiscal context of the Ministry for the Environment.

This letter requests you review your provisional decision and agree to provide one-off funding of 9(2)(f)(iv) through Budget 25, to enable work required to deliver these reforms over the next two years.

The Treasury's recommendation to provide no new funding and progress a business case for future phases would compromise our ability to deliver Resource Management reform commitments within this term of Government, because key elements to enable the new system to turn on would not be able to be progressed until next term.

Treasury officials appear to have misunderstood the intensity of legislative work required over the next two years to set the system up for on-time implementation. Additional funding is needed to address this critical activity peak, on top of what Ministry can reprioritise within existing baseline, to progress this work.

### **Accelerating delivery of Resource Management reforms is critical to the Government's priorities**

Reforming the resource management system is a key pillar of the Government's Going for Growth agenda and aligned strongly to the Budget 2025 focus on boosting economic growth.

It is also a commitment in the National Party and Act Party Coalition Agreement, supports various elements of the National and NZ First Coalition Agreement, and is a key enabler of a range of outcomes sought across other Government priorities including in housing, infrastructure, primary industries, environment and climate change.

### **The Treasury's advice does not reflect the peak in policy and implementation preparation work required over the next two years**

Ministry for the Environment officials have advised me Treasury's advice appears to have misunderstood the critical timing of the initial bid, particularly the need for *frontloaded funding* to support an intense peak of legislative development and implementation preparation work over the next 18 months.

Treasury have proposed a *four-year smoothing* approach in their advice, assuming costs are consistent across all four years and can be more easily absorbed by the Ministry.

The table below shows the difference between the two approaches and the resulting 9(2)(f)(iv) funding shortfall over the next two years if the Treasury’s recommendations were progressed.

		2025/26	2026/27	Total \$m	2027/28	2028/2	Total \$m
		\$m	\$m	(2 years)	\$m	9	(all years)
		9(2)(f)(iv)					
<b>MfE request</b>	<b>(frontloaded funding)</b>						
Funded by	Reprioritisation						
	Additional funding						
<b>Treasury advice</b>	<b>(4 years smoothing)</b>						
Funded by	Reprioritisation						
	Additional funding						
<b>Shortfall</b>	<b>Additional funding</b>						

**Proposed next steps**

I endorse the recommendation to progress a business case to support decisions on funding needed for the Resource Management system in future years, with a specific focus on establishment of new entities and digital support such as an e-plan.

However, to ensure on-time delivery of the new system, I request you agree to one-off funding of 9(2)(f)(iv) through Budget 25, to enable the work required over the next two years.

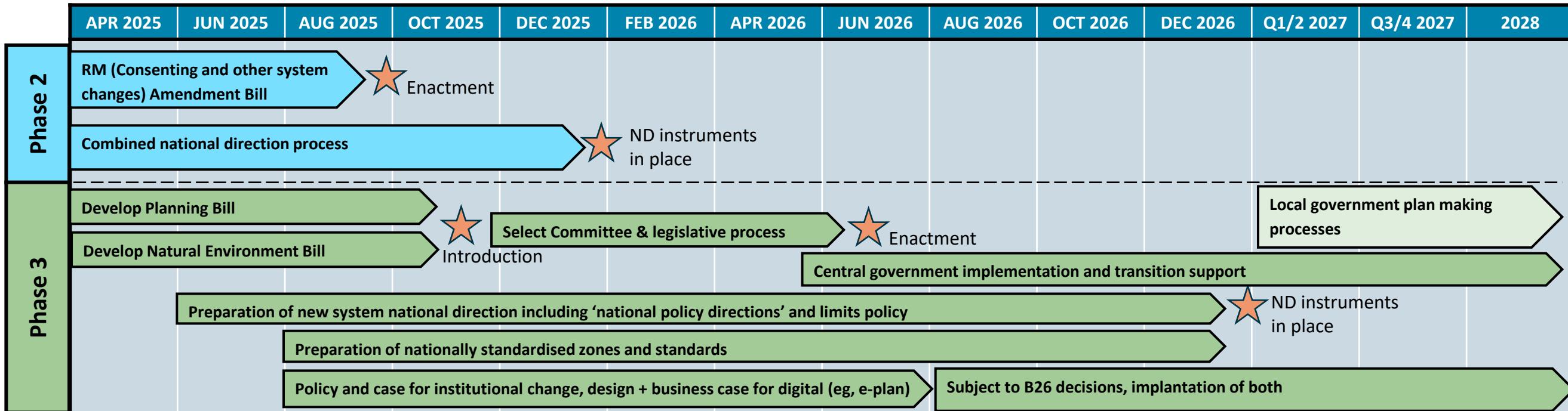
This funding would provide for development of primary and secondary legislation (national direction, standards etc.) needed to deliver Ministerial expectations for implementation of the new system by 2027. Significant reallocation within the Ministry’s baseline would continue to be required, as my initial bid proposed.

I would welcome the opportunity to discuss this further before the Budget 25 package is finalised.

Yours sincerely

Hon Chris Bishop  
**Minister Responsible for RMA Reform**

# Scenario 1: additional funding – delivering an implementable system by 2027

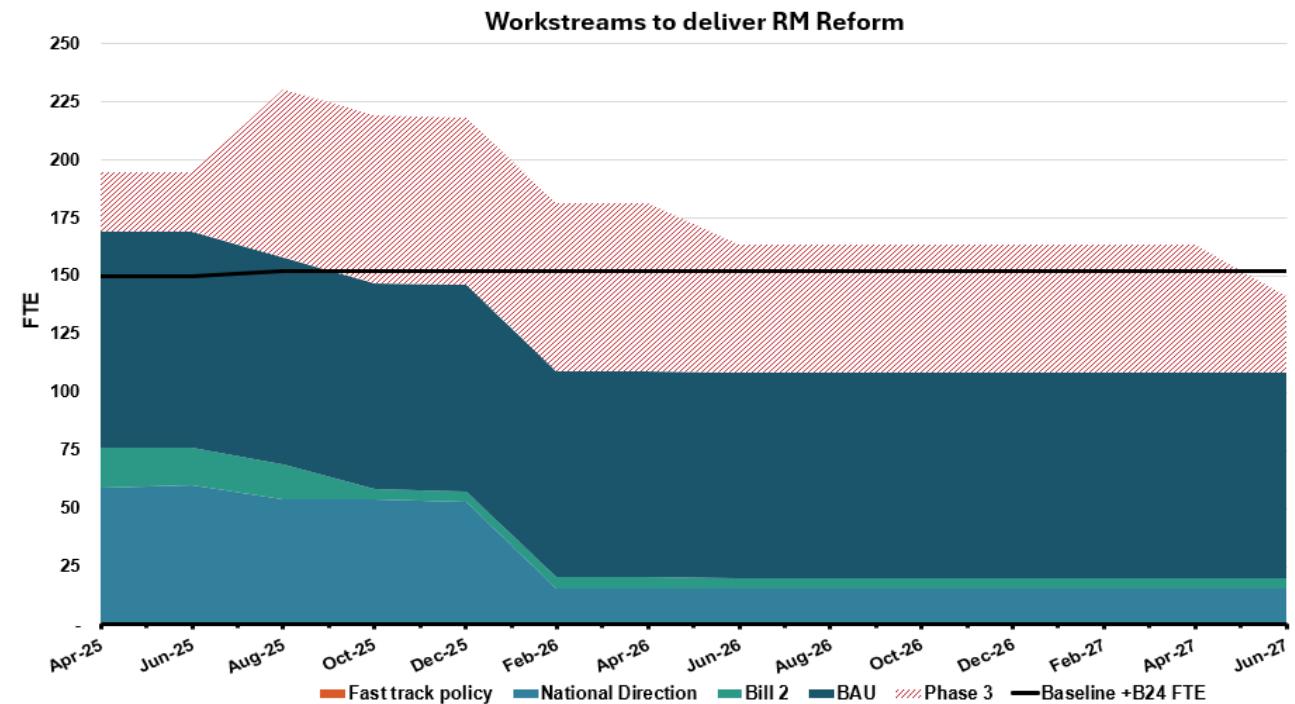


## Delivering the RM Reform programme by 2027

- Resource management reform and implementation are a key Government priority, forming part of the Government’s Going for Growth agenda. You have expressed the expectation that implementation and local government planning processes will be able to commence in 2027.
- To achieve this by mid-2026, we will need to have enacted two acts to replace the RMA, finalised the single biggest suite of national direction policy progressed at one time under the RMA, and made substantial progress on delivering all the core elements of a new system required for implementation (including national direction, standardised zones, limits policy, policy design of new institutional arrangements and initial work on digital support such as an e-plan).
- Additional funding in B25 is required for MfE to deliver this substantial Phase 3 programme as much of this work will need to progress in parallel with the substantial Phase 2 national direction and legislative programme.

## The Budget 25 process

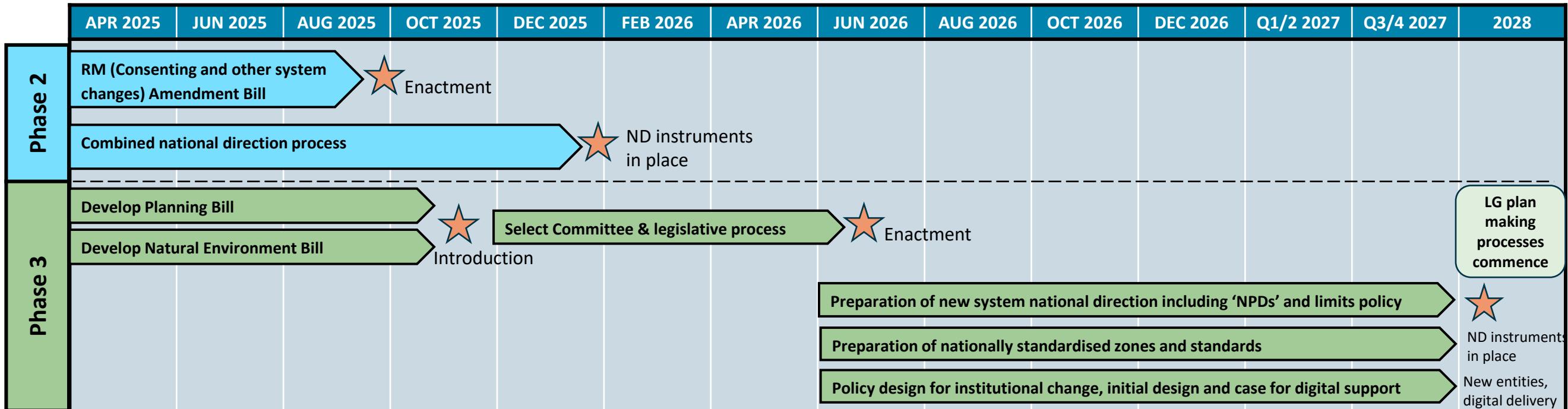
- In Budget 25, you responded to an invitation to submit an initiative for Phase 2 and Phase 3 implementation that:
  - total funding of \$9(2)(f)(iv) over 2025/26 and 2026/27 and \$9(2)(f)(iv) afterwards, with peak funding in 25/26
  - tagged contingency funding of \$9(2)(f)(iv) for new RM entities such as a disputes tribunal and new regulator
  - offered a savings offset of \$9(2)(f)(iv) or 50% to be absorbed by MfE over the next two years
- This work requires immediate resourcing and peak funding in this coming financial year to deliver a system that can be implemented in 2027 (note the resourcing peak in the FTE-workforce graph on the right).
- Treasury’s assessment focused on longer-term implementation and flat-lined funding over four years at \$19.464m a year, with only the first two years approved. This does not reflect the front-loading of the work before 2027 to deliver a new RM system.



## Funding is required to deliver the Government’s RM programme

- MfE is already re-prioritising within baselines to deliver as much of the RM Reform work programme as possible.
- We do not have the capacity or appropriate skillsets to reprioritise further, without impacting on our ability to deliver our statutory functions and the priorities of other Ministers.
- The FTE graph above is indicative only but highlights FTE shortfall for the 2025/26 financial year. The funding we sought would support delivery of Phase 3 with the remaining shortfall managed through ongoing reprioritisation.
- We also expect a substantial non-FTE spend required to deliver the RM reform programme, including on policy for institutional change, develop standardised zones, procure legal advice, and uphold Treaty settlements.

# Scenario 2: without additional funding – implementation delayed until at least 2028

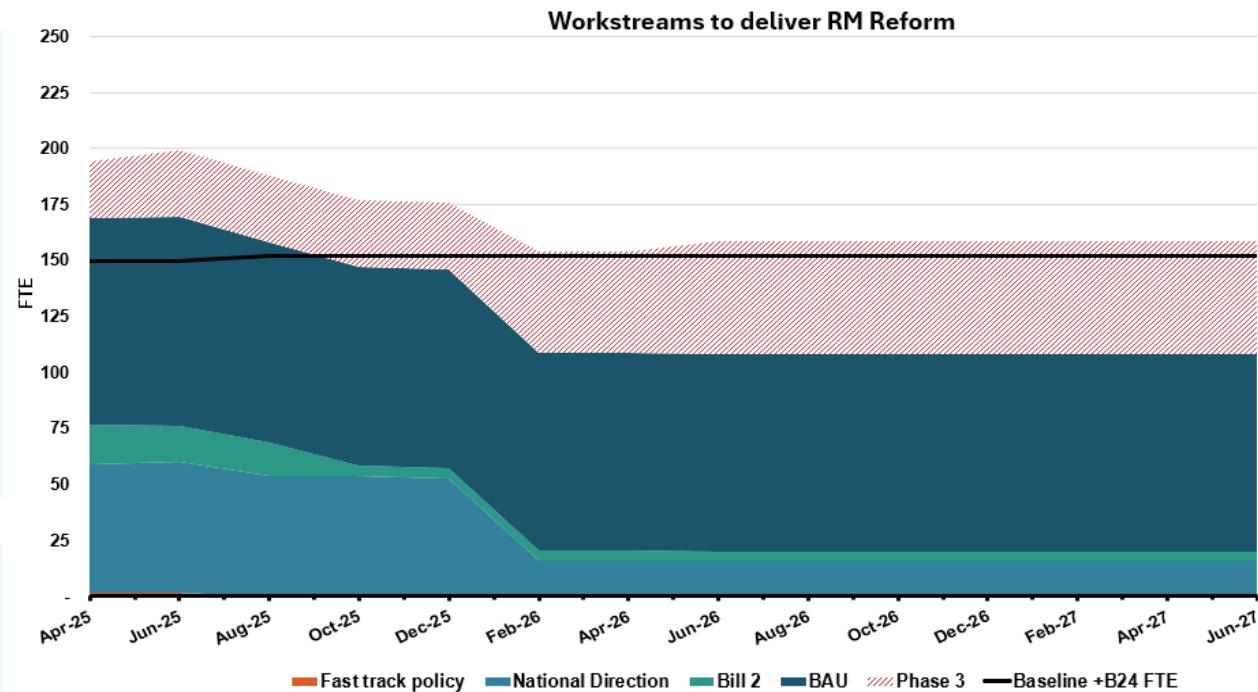


## Delayed delivery of the RM Reform programme

- Resource management reform and implementation are a key Government priority, forming part of the Government's Going for Growth agenda. You have expressed the expectation that implementation and local government planning processes will commence in 2027.
- Without additional funding, the new system would not be ready for local government implementation until 2028 at the earliest (adding pressure to councils' long-term plan development in 2028).
- MfE would have to sequence the RM reform programme. By mid 2026 we expect we would be able to deliver the Phase 2 national direction programme and the primary legislation to replace the RMA only.
- All the remaining elements of the new system required to support local government implementation would need to be developed during 2027 and would likely be in place by the end of 2027 at the earliest. This would include the core elements of a new system required for implementation beyond the primary legislation (including national direction, standardised zones, policy design of new institutional arrangements, and initial design and case for digital support such as e-plan).

## The Budget 25 process

- Treasury advice to MoF appears to have misunderstood the initial bid, particularly the two-stage implementation approach proposed (core elements ready for 2027 and then further work) and the front-loading of the work for 2027, which was reflected in the initiative, with peak funding in this coming financial year to deliver Ministerial expectations for implementation of the new system by 2027.
- Treasury's proposed approach would require all RM work MfE has planned for the next two years, to be funded by reprioritisation and spread over four years.
- MfE would need to scale back the Phase 3 RM programme and sequence the work programme over a longer timeframe rather than delivering all the necessary system elements in parallel.
- This sequencing is reflected in the FTE-workforce graph (on the right) – our Phase 3 resourcing peak is much lower in 25/26 in this scenario reflecting a slower delivery of Phase 3.
- Phase 3 policy and implementation efforts would need to continue for longer into 2028 and 2029 (not shown in the diagram).



## Funding is required to deliver the Government's RM programme

- MfE is already re-prioritising to deliver as much of the RM Reform work programme as possible.
- We do not have the capacity or appropriate skillsets to reprioritise further, without impacting on our ability to deliver our statutory functions and the priorities of other Ministers.
- The FTE graph above is indicative only but highlights (compared to scenario 1) MfE would scale down the Phase 3 programme in the next 18 months, and sequence other elements of the new system after the primary legislation is in place (rather than delivering in parallel).
- We expect a substantial non-FTE spend would still be required to deliver the RM reform programme, but spread over a longer time frame.



## Briefing: Waste Minimisation Fund (WMF) investment priorities

Date submitted: 22 May 2025

Tracking number: BRF-6244

Sub Security level: CLASSIFICATION

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
To Hon Penny SIMMONDS Minister for the Environment	Decisions on the recommendations	26 May

Actions for Minister's office staff
Return the signed briefing to the Ministry for the Environment ( <a href="mailto:advice@mfe.govt.nz">advice@mfe.govt.nz</a> ).

Appendices and attachments
1. Treasury's advice to Minister of Finance on Waste Disposal Levy - Budget 2025 savings options [T2025/150]
2. Other organic waste types

Key contacts at Ministry for the Environment			
Position	Name	Cell phone	First contact
Principal Author	Tim Allen	9(2)(a) [REDACTED]	✓
General Manager	Lorena Stephen		

Minister's comments

Appendix 1 is refused in full under section 18(d) of the Act as it will soon be proactively released on the Treasury's website as part of a wider Budget 2025 proactive release.

# Waste Minimisation Fund (WMF) investment priorities

## Key messages

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1. An annual allocation of \$30 million for the WMF was established through the Budget 2025 process, tagged to meeting our target contribution to emissions abatement set in the second Emissions Reduction Plan (“ERP2”). This calls into question the current WMF investment priorities which are much broader.
2. Although this means organics must be the key priority from 1 July, it may be possible to also provide limited WMF funding to some other waste priorities later. This is because it is possible that less than \$30 million may be needed to hit the ERP2 target, and/or there may not be sufficient appetite from the sector to invest in organics projects. It will take some months for these factors to play out and the level of available funding to become clear.
3. We expect the majority of the \$30m will be needed to achieve the ERP2 target, leaving minimal funds available for other waste priorities. You would likely continue to receive multiple requests for funding support outside of the WMF for a wide range of projects. These should be considered in a structured manner to ensure that decisions between initiatives competing for funding are made in a transparent and consistent manner which optimises value for money.
4. We propose an approach which enables this, provides flexibility to adapt as the level of available funding becomes clear, and ensures all funding is utilised. The proposed approach is to:
  - i Reset the investment signals for the WMF on 1 July 2025 focusing solely on organics, and targeting a wider range of organic waste types to maximise the potential opportunities for abatement; and
  - ii Run a short funding round for other priorities before Christmas, subject to funding availability at that point. All funding requests you receive in the meantime would be deferred to that funding round for consideration, and a prioritisation framework developed to support the scope of the round. This would take the reports of the Recycling Leadership Forum into account.
5. Current priorities would remain in effect until 30 June 2025. All enquiries and applications received by then would be processed as usual.
6. Your keynote speech to the WasteMINZ conference on 10 June is an opportunity to announce this approach. Alternatively, officials can talk to it in our scheduled plenary session the following day.

## Recommendations

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We recommend that you:

- a. **note** that the annual funding envelope for WMF was approved by Minister of Finance on the basis that this amount is required to meet the contribution to emissions abatement set for the WMF in the second Emissions Reduction Plan
- b. **agree** to the proposed approach to investment priorities for the WMF:
  - a. Reset the WMF investment signals on 1 July 2025 focusing solely on organics
  - b. Expand targeted organic waste to include biosolids and potentially land-spread agri-waste, subject to further work
  - c. Run a short funding round for other priorities before Christmas subject to funding availability
  - d. Defer all funding requests received in the meantime until the pre-Christmas funding round for consideration

Yes | No

- c. **indicate** if you wish to announce this approach at the WasteMINZ conference

Yes | No

- d. **advise** if you would like to discuss this with officials.

Yes | No

## Signatures

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Lorena Stephen  
General Manager – Partnerships and  
Investments

**22/5/2025**

Hon Penny SIMMONDS  
**Minister for the Environment**

**Date**

# Waste Minimisation Fund (WMF) investment priorities

## Purpose

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7. This briefing seeks your agreement to a proposed approach to WMF priorities in light of the Budget 2025 decision to allocate \$30 million per year, and feedback on whether you would like to include this in your speech to the WasteMINZ conference on 10 June.

## Background

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### ***\$30 million per year for the WMF was agreed in Budget 2025, tagged to emissions reduction***

8. Through the Budget 2025 process, Treasury sought feedback on three annual cap scenarios for the WMF: \$15 million, \$30 million and \$60 million.
9. We recommended \$50 million per year, made up of \$30 million to meet the target contribution to emissions reduction in the second Emissions Reduction Plan (ERP2)<sup>1</sup> and \$20 million to support other WMF priorities.
10. Treasury's advice to Minister of Finance [T2025/150, 14 February 2025] recommended \$30 million per year for the WMF on the basis that it represented a better balance between allocating levy revenue to higher-value activities across government and meeting the existing ERP2 commitments. This was agreed by the Minister of Finance and included in final Budget 25 recommendations:

*agree to set an average annual allocation of \$30 million operating funding for the Waste Minimisation Fund for new initiatives.*

## Analysis and advice

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### ***Although organics must be the key priority from 1 July, it may be possible to also provide limited WMF funding to other waste priorities over time***

11. Although the final Budget recommendation does not specify the \$30 million per year is solely for emissions reduction, that expectation seems clear in Treasury's advice.
12. This is narrower than current WMF priorities, which in addition to organics (food and green waste, paper and cardboard) include:
  - i Construction and demolition (C&D) waste – timber, plasterboard, and C&D-related plastics such as building wrap. Soil is currently excluded from consideration.

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<sup>1</sup> -1 Mt of CO<sub>2</sub> emissions reduction from the WMF to 2030

- ii Plastics – plastics 1, 2 and 5, coloured PET, farm plastics such as bale wrap, and soft plastics.
  - iii Infrastructure to support diversion of these materials from landfill.
13. However, it would be premature to close the door at this stage to projects that do not reduce emissions, because:
- i The modelling behind the \$30 million figure inevitably has a margin of error. It is possible that the abatement target can be met without needing the full amount per year over the budget period.
  - ii Whilst we recognise the importance of the abatement target, it is possible that there may not be sufficient appetite from the sector. Most of the relatively “low hanging fruit” has already been addressed so more proactive intervention will be needed to secure the additional abatement, and we expect this to have a longer lead in time. We are developing an investment strategy to minimise this risk and will provide a draft to you for feedback in coming weeks.
14. It will take some months for these factors to play out and the level of available funding to become clear.

***The extent to which waste priorities other than organics can be supported, if at all, is likely to be limited***

15. We anticipate that only a small amount of funding potentially may be available, if any. It would not be enough to support all opportunities and requests. You are likely to continue to receive requests to fund projects outside of the WMF’s published priorities (known as “Minister Initiated Applications”). There is high sector interest in areas which are currently out of scope. Some opportunities for funding support have already been brought to your attention through recent Ministry advice, for example WasteMINZ’s proposal to develop a framework for the management of surplus soils [BRF-6101 and 6218]<sup>2</sup> and further building wrap recycling options [BRF-6190].
16. You are not bound by current or proposed WMF priorities. Under S38 of the WMA you must only consider the gazetted criteria when making funding decisions for WMF projects. However it will be important to demonstrate to the sector that decisions between initiatives competing for funding have been made in a transparent and consistent manner which optimises value for money.

***The proposed approach provides transparency and flexibility to adapt as the level of available funding becomes clear, whilst ensuring all funding is utilised***

17. The proposed approach is to:
- i Reset the investment signals for the WMF on 1 July 2025 focusing solely on organics, and targeting a wider range of organic waste types (for example biosolids

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<sup>2</sup> You have indicated the first phase of this work will be funded from Ministry baseline and subsequent phases through the WMF. This sequence aligns with the approach proposed in this paper.

and potentially agricultural waste- see Appendix 2) to maximise the potential opportunities for abatement;

- ii At the same time, signal to the sector that subject to funding availability, the WMF will run a short targeted funding round before Christmas for a limited range of other priorities likely with a small funding envelope;
  - iii Defer all funding requests you receive in the meantime to this funding round for consideration.
18. Sector expectations would need to be managed, and a prioritisation framework developed to support the scope of the round. Considerations could include the level of impact, the degree of alignment to established priorities, and the potential to allocate funding quickly to high-value projects.
19. A preliminary analysis against these criteria has identified C&D (including soils) and regulated product stewardship materials (eg batteries) as the leading secondary priorities. This work needs to be built out further including your feedback and the reports of the Recycling Leadership Forum when available. Targeted consultation could be undertaken with the sector on a prioritisation framework.

***Current priorities would remain in effect until 30 June 2025***

20. All enquiries and applications that are in line with current investment priorities and received by 30 June would be processed as usual.

***Your speech to WasteMINZ is an opportunity to announce this approach***

21. You are scheduled to deliver the keynote speech to WasteMINZ's conference on 10 June.
22. Officials are developing talking points including other announcements in waste, for example the mechanism for emergency waste funding. WMF priorities would complement these announcements and would be of interest to attendees.
23. Alternatively, officials can communicate this approach through the Ministry's scheduled slot in the following days' plenary session.

***There are some risks to this approach which would need to be managed***

24. There is likely to be criticism from the sector for not funding a wider range of waste issues. Key messaging is that:
- i Budget 2025 has delivered a balanced package of initiatives funded by the Waste Disposal Levy that supports the waste sector while also supporting wider environmental aims; and
  - ii Recognising the importance of effectively managing waste, a significant portion of levy funding has been allocated to minimising waste. As well as the \$30M for the WMF the budget includes \$20M each year for new initiatives via the Contaminated Sites and Vulnerable Landfills Fund (in addition to continuing to fund the existing portfolios, and an additional \$40 million over the budget period for contaminated sites where there is Crown liability).

25. There may also be criticism for not having consulted the sector. Responses could note the short timeframe between Budget decisions and the WMF allocation cap coming into effect on 1 July. Targeted consultation could be undertaken with the sector on a prioritisation framework to support the proposed short funding round for non-organic initiatives.

## **Next steps**

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26. Subject to your feedback we will prepare communications to give effect to this approach.

## Appendix 2 – Other organic waste types

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### Biosolids

1. Biosolids are the organic residue from sewage treatment processes. They often go to landfill due to heavy metal or PFAS contamination, in addition to cultural implications with their use eg composting. Consequently, there are very limited options for councils meaning that there is often a premium attached to the disposal of this waste.
2. Although the WMF has had a focus on organics since 2022 the fund has not considered biosolids on the basis that the emissions associated with its breakdown in landfills is low. However, it is a problematic waste stream with some nutrient value (it typically has a high phosphorus level) and given the amount of waste<sup>1</sup> there will be some abatement benefit.

### Agricultural waste

3. This includes biological waste, for example crop residues and grape marc<sup>2</sup>, that are of little to no value and are currently spread to land where they break down and contribute to agricultural emissions. The waste typically does not go to landfill due to cost, nor is it usable as stock feed or as a feedstock for composting.
4. Little data is available, and as it does not go to landfill it is difficult to ascertain the potential contribution to emissions abatement. Further work is required to ascertain if this is a viable and worthwhile opportunity.
5. The Ministry would work with MBIE and MPI to ensure that there was no overlap with MBIE's Bioresource Processing Alliance<sup>3</sup> and MPI's Sustainable Food and Fibre Futures<sup>4</sup> investment programmes.
6. Potential spillover benefits include additional support for the primary sector, and should the waste be processed via anaerobic digestion then the resulting biogas generation would help address the country's gas shortage.

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<sup>1</sup> WaterCare Auckland has shared with the Ministry that they are looking for solutions to the 300,000 tonnes per annum of biosolids that the city produces beyond 2035 when their current solution is exhausted.

<sup>2</sup> solid waste from winemaking after grapes have been pressed

<sup>3</sup> [Bioresource Processing Alliance | For a more sustainable future](#)

<sup>4</sup> [Sustainable Food and Fibre Futures | NZ Government](#)

## CLASSIFICATION

### CLASSIFICATION

Office of the Minister for the Environment

Cabinet Economic Policy Committee

## Budget 2025: Waste Levy allocation and consolidating environmental funds

### Proposal

1. This paper seeks agreement to:
  - 1.1 allocate waste disposal levy funds over the next four years (including some longer term provisions), as part of Budget 25 decision-making, balancing waste and wider environmental priorities as we pursue fiscal savings and improved value from investment
  - 1.2 pursue integration of environmental investment, initially through consolidating the Ministry for the Environment's (MfE's) investment landscape and, with Cabinet's support, exploring wider consolidation across relevant agencies with a report back ahead of Budget 26.

### Relation to government priorities

2. Better integrated investment and well-targeted funding allocation decisions will support the Government's growth agenda, deliver fiscal savings and improve fiscal discipline over time.

### Executive Summary

3. Approximately \$565 million in waste disposal levy (levy) revenue is expected to be collected for Crown use over the next four years. This was partially allocated through Budget 24. I propose to allocate the following through Budget 25 (detailed in Appendix 1):
  - 3.1 **\$247 million to a waste envelope**<sup>1</sup>, comprising:
    - 3.1.1 enduring provisions (including and beyond the four year period): \$40m annual cap for the Waste Minimisation Fund (WMF), \$20m annual cap for the Contaminated Sites and Vulnerable Landfills Fund (CSVLF), a 10% contingency buffer to address appropriation risk

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<sup>1</sup> Some of this envelope was already allocated through Budget 2024. Proposed WMF funding comes from a pool of unallocated levy funds that can only be used for these specific purposes and does not draw down on any of the \$565m in revenue expected to be collected for Crown use over the next four years.

## CLASSIFICATION

- 3.1.2 an additional \$47m over four years (and into out-years) for MfE to undertake its waste, hazardous substances and levy administration functions;
  - 3.2 **\$70 million per year over four years surplus funds to high value / wider initiatives**, including enabling \$30m/year savings by funding some existing initiatives through the levy, a further \$10m/year for contaminated sites where there is Crown liability (distinct from the contestable CSVLF), and \$30m/year for other high value initiatives including catchment level activities and revising the Environmental Protection Authority's (EPA's) ecotoxicity models.
4. I seek agreement to better integrate investment across government, to improve the coherence and value what government invests. This exercise would begin with MfE consolidating its activity into an environmental investment fund (excluding the WMF, which has a well-known purpose and function). I expect there would be significant value in wider consolidation, and I propose to report back to Cabinet on this ahead of Budget 26.

### Background

5. Effective 1 July 2024, the Waste Minimisation Act 2008 (WMA) was amended to expand the scope of what the levy can be spent on [CAB-24-MIN-0138 refers]<sup>2</sup>, to include:
  - 5.1 activities that reduce environmental harm or increase environmental benefits;
  - 5.2 funding local authorities to manage emergency waste and to repair or replace waste infrastructure damaged by an emergency;
  - 5.3 funding MfE to undertake its functions and duties, and exercise its power, in relation to waste management and minimisation, and hazardous substances.
6. Cabinet directed officials to identify a suitable annual quantum for waste-related investment (including an annual cap on the WMF) and a wider range of environmental activities across government that could be funded by the levy instead of Crown funding, generating fiscal savings.

### Analysis

#### ***Waste envelope funding allocation***

7. Firstly, I seek agreement to a 'waste envelope' as set out below.

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<sup>2</sup> Cabinet also agreed to amend the levy rates set in the Waste Minimisation (Calculation and Payment of Waste Disposal Levy) Regulations 2009, to increase incentives to minimise waste and raise additional revenue to achieve environmental priorities

## CLASSIFICATION

- 7.1 Continuing the WMF, with an annual allocation of \$40 million for new initiatives (noting individual investment decisions are then made through an established process);
- 7.1.1 I considered, but ruled out, a lower amount (\$30 million) which would only cover *New Zealand's Second Emissions Reduction Plan (2026-30)* commitments and miss valuable investment to recover value from waste and divert it from landfill.
- 7.1.2 This funding also comes from a pool of unallocated levy funds that can only be used for these specific purposes, so the proposed \$40 million cap does not impact savings potential within this Budget period (but allocation now would remove options for its use later).
- 7.2 Continuing the CSVLF – with an annual allocation of \$20 million to new contaminated sites and vulnerable landfill initiatives;<sup>3</sup>
- 7.3 Setting aside an appropriate buffer, being 10% of the central government portion of annual levy revenue, to help manage the risk of actual levy revenue being lower than forecast in a given year.<sup>4</sup> Levy revenue is impacted by many factors including economic conditions, which makes forecasts inherently uncertain. If actual levy revenue is lower than the buffer can manage, we may need to review the buffer level or explore other options in future. I also seek agreement that the Crown guarantee funding for the initiatives in this paper, to ensure they can continue delivery if levy revenue is lower than forecast.
- 7.4 Departmental adjustments to account for MfE's relevant functions, which have been confirmed since our earlier Budget 24 decisions (outlined below).
8. At the end of each financial year, actual levy payments received may be in line or higher than was forecast. I recommend, in those cases, that any excess revenue from the unused buffer is retained within the proposed environmental investment fund (discussed further below), to be prioritised to high value initiatives (including unexpected costs from emergencies like severe weather events). I do not recommend a fixed annual allocation for emergency waste, given the uncertainty of whether these events happen each year. However, this approach will ensure that, over time, any additional revenue realised is available to help manage this risk (while noting this may not cover all relevant costs related to events).
9. I also propose that any other underspends from levy-funded work programmes, and any excess levy revenue collected above the buffer, would

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<sup>3</sup> Note, I also propose a further annual allocation of \$10 million over four years from surplus levy funds, (paragraph 11.2 below), outside of this 'waste envelope' allocation.

<sup>4</sup> For example, levy revenue has been re-forecasted down by 12% within the last 12 months.

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also be available for reallocation within an environmental investment fund<sup>5</sup>. This is consistent with a shift to better integrated investment – starting with MfE – and being able to manage and allocate investment within a single fund.

### *Departmental adjustments*

10. As detailed in the table below, I seek departmental adjustments as follows:

- 10.1 Environment work programme (waste and hazardous substances) – our previous amendments to the WMA allowed the levy to fund MfE’s Departmental waste and hazardous substance functions. This enabled Budget 2024 savings to the Crown by returning a portion of MfE’s baseline funding. The balance reallocated in outyears was in-line with the Crown funding profile at that time, but not adjusted while the Ministry was undergoing its operating model review. The Ministry and I have subsequently agreed priorities for the waste and hazardous substances programme, and MfE has concluded its operational review. Accordingly, I seek agreement to allocate an additional \$16.458 million funding over four years (and into out-years) to allow MfE to continue this work programme at its current level beyond 2026/27, as recently agreed by Cabinet [ECO-24-MIN-0254].
- 10.2 Waste Minimisation Administration (collecting and administering the levy) – from 2025/26 there is a known funding drop (back to 2022/23 levels which were set before the levy was expanded). Those levels do not reflect the increased costs of collecting the levy from more landfills and distributing more money through waste investments. Budget 24 led to an external efficiency and effectiveness review for these functions by KPMG which noted ‘*the current levels [\$12.7m] of departmental funding should be considered as closer to the minimum cost to deliver these services.*’ Accordingly, I seek agreement to allocate an additional \$30.649 million over four years (and into out-years) which is materially in line with KPMG’s assessment.

Departmental Output Expenses	\$m				
	2025/26	2026/27	2027/28	2028/29 & Out years	Total
<b>Environment Work Programme (waste and hazardous substances)</b>					
Current appropriation	16.480	7.600	7.600	7.600	39.280
Total funding required	15.528	13.403	13.403	13.403	55.738
<b>Difference (waste levy funding sought)</b>	<b>(0.952)</b>	<b>5.803</b>	<b>5.803</b>	<b>5.803</b>	<b>16.458</b>

<b>Waste Minimisation Administration (collecting and administering waste levy)</b>					
Current appropriation	5.906	5.906	5.906	5.906	23.624

<sup>5</sup> This excludes levy funds that were collected before 1 July 2024, which can only be spent on a narrower set of parameters.

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Funding required	13.429	13.615	13.615	13.615	54.273
<b>Difference (waste levy funding sought)</b>	<b>7.523</b>	<b>7.709</b>	<b>7.709</b>	<b>7.709</b>	<b>30.649</b>

<b>Total current appropriation</b>	<b>22.386</b>	<b>13.506</b>	<b>13.506</b>	<b>13.506</b>	<b>62.904</b>
<b>Total funding required</b>	<b>28.957</b>	<b>27.018</b>	<b>27.018</b>	<b>27.018</b>	<b>110.011</b>
<b>Total (net) funding sought</b>	<b>6.571</b>	<b>13.512</b>	<b>13.512</b>	<b>13.512</b>	<b>47.107</b>

### ***Allocation of remaining levy funds over the budget period***

11. After the above allocations, an average of \$70 million of levy funding is forecast to be available each year over the budget period. Balancing our interests, I propose allocating these funds broadly as follows (noting the exact split will have minor change as final figures are locked in by Treasury; actual amounts each year will also vary given different activity spend profiles across the budget period):
- 11.1 **\$30 million each year to achieve savings in government expenditure** – this would replace existing Crown funding for certain programmes identified by Treasury across MfE, Department of Conservation (DOC), and the Ministry for Primary Industries (MPI).<sup>6</sup>
  - 11.2 **A further \$10 million each year for contaminated sites** – this would target direct investment in sites where there is Crown liability, as distinct from the CSVLF that others can apply for (**paragraph 7.2**). Treasury identified this as a key option for available levy funds. I have asked the Minister of Land Information to direct his officials to identify priority areas and advise MfE. The Treasury and Land Information New Zealand (LINZ) are currently exploring options to fund the management and remediation of historic acid mine drainage at Stockton Mine from these levy funds, as an initial case.
  - 11.3 **\$30 million each year for other priority initiatives** – this would be managed by MfE within the proposed environmental investment fund discussed further below. I intend, having worked closely with the Associate Minister of Agriculture, that most of this funding (around \$100-\$110 million over the budget period) would be allocated on a contestable basis for important catchment-level activity. Funding for such activity across government is about to significantly reduce. Some ongoing investment, bolstering local and regional effort, would recognise the high public value of catchment work; this will also be a critical lever to effectively implement our resource management reforms. I intend that the remaining funding (around \$10 million) is used

<sup>6</sup> MPI's Accelerating New Greenhouse Gas Emissions programme was also identified by Treasury (\$75.57 million per year over four years). However, I do not recommend including that programme as doing so would require consultation with the sector and exceed the amount available for savings.

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to update the Environmental Protection Authority's (EPA's) ecotoxicity models for assessing hazardous substances. These models are central to the integrity of assessments and are outdated, a view shared by the Ministry for Regulation.<sup>7</sup>

### ***Consolidating activity and improving value through an environmental investment fund***

12. As part of Budget 25 work, the Minister of Finance asked me to explore consolidating environmental funds. Having considered this, there is significant opportunity to improve the value from environmental investment, supporting our strong focus on performance and fiscal discipline. This is important context for the funding allocation decisions I am seeking, to move away from the fragmented investment landscape we inherited to a more integrated view.
13. There are two broad dimensions to this shift: (i) consolidating MfE's investment activity – something we can action now; and (ii) broader consolidation of funds and expenditure across other agencies who also undertake environmental investment – which will take more time.
14. The Parliamentary Commissioner for the Environment has underscored the complexity of the investment landscape; there are a very large number of funds and around \$1 billion of expenditure across government. A consolidated approach could have significant benefits, including:
  - 14.1 more flexibility to maximise value for money, connect to government priorities and recognise environmental interdependencies;
  - 14.2 a simpler and fairer 'one stop shop' for stakeholders, ensuring openness to investment proposals and avoiding different settings that add complexity and cost;
  - 14.3 stronger fiscal discipline from having a well-known single fund, reducing risk of unprioritised spend and expenditure growth; and
  - 14.4 stronger investment management from a more concentrated focus and less duplication of effort/resource.
15. Realising the vision will take time though we can make important progress now. In particular:
  - 15.1 I expect MfE to consolidate its investment activity (excluding the WMF)<sup>8</sup> – this consolidated investment fund (including the \$30 million for other environmental priorities noted in paragraph 11.3) will have an emphasis on high-quality integrated investment management, including robust

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<sup>7</sup> This follows findings and recommendations from the Ministry for Regulation's *Agricultural and Horticultural Products Regulatory Review* that the EPA's hazardous substance risk assessment models are "outdated and no longer fit for purpose".

<sup>8</sup> While that potential to include the WMF exists longer term, at this stage I want the WMF to continue operating without change or distraction, including to respect the interests of the waste sector who we rely on to collect the levy. Beyond the WMF, the final shape/coverage of consolidation is being actively worked through.

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prioritisation of investment options to achieve the best possible improvement in environmental outcomes.

15.2 With use of the levy for a broader range of activities, we can also expect a stronger portfolio view of those investments across agencies. New Zealanders expect a joined-up view of activity and outcomes.

15.3 To push further, I am recommending Cabinet seek a report back, led by me and working with other relevant Ministers, on how we could best pursue broader investment consolidation (including scope, responsibilities and pace). This will accelerate cross-agency work and put us in a stronger position for Budget 26 decisions.

9(2)(h)

[Redacted content]

### Implementation

20. The levy funds will be distributed through MfE's existing funds management systems, with savings transferred through procedures with Treasury as

<sup>9</sup> Waste Minimisation Act 2008, section 30(1)(c)(iv).

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appropriate (including appropriate mechanisms where savings identified by other agencies are to be offset through the levy).

21. MfE is responsible for administering the levy, but some initiatives will be delivered through other departments or Ministries (where they align with their respective capabilities and portfolio expertise). In those cases, the relevant department or Ministry would be accountable for that spending (for example, managing contracts, Select Committee reporting, and keeping their Minister informed). MfE would maintain oversight through its levy administration role, enabled through regular reporting from the relevant delivery agency to MfE.
22. I seek agreement to delegate any appropriation and other administrative changes that may be necessary to relevant Ministers (Environment, Agriculture, Forestry, Conservation and Land Information) alongside the Minister of Finance, to ensure timely resolution of implementation issues.
23. With regards to the move to a consolidated environmental investment fund (firstly for the Ministry for the Environment), implementation will need to be phased with commencement focused first on 'behind the scenes' consolidation and alignment of processes.

### **Cost-of-living Implications**

24. Decisions made in this paper (regarding the allocation of levy funds or the establishment of the environmental fund) will not have cost-of-living implications. As background, Cabinet previously noted officials estimated minor cost-of-living impacts from the increase in levy amounts set under the WMA [CAB-24-MIN-0138] (which is related, but not the subject of this paper).

### **Financial Implications**

25. As context, as part of the Budget 2025 process the Minister of Finance invited me to submit additional savings options from the Waste Levy, which this paper sets out, including setting a cap for the WMF.
26. The decisions proposed in this paper would result in \$128 million of savings in Crown funding. Financial implications associated with specific allocation decisions are set out in the body of this paper.
27. While we are making funding decisions here for the four-year budget period, we will have opportunity to monitor progress each Budget process, including to identify new savings options and make funding decisions for the out-year that rolls in. The cap and buffer provisions are proposed to endure beyond four years, but we can still if needed review these in future. As in some other contexts, once environmental investment is better integrated, we could consider a multi-year funding approach, relying on an investment strategy and delegations within a well-established investment system to allocate and manage funding.

28. Appropriation changes are needed to give effect to the allocation decisions sought in this paper. Those changes will be included in the Budget 2025 Cabinet paper.
29. As wider financial context, I was also asked by the Minister of Finance as part of the Budget 2025 process to submit savings options across the funds and grants landscape (in addition to capping the WMF as discussed above). Separate to the WMF, this review found just over \$12 million of savings each year (annual average), well above the 'high' ask of \$7.84 million (across both the environment and climate portfolios).

### **Legislative Implications**

30. 9(2)(f)(iv)

### **Impact Analysis**

31. The Regulatory Impact Analysis and Climate Implications of Policy Assessment requirements do not apply to the funding decisions in this proposal.

### **Population Implications**

32. Allocating a portion of surplus levy funds to catchment level activities will have positive impacts for rural communities where affected catchments are located. No other specific population implications have been identified for the proposed allocations in this paper, which are not targeting any particular population group.
33. Management of better integrated environmental investment would have due regard to the interests of Māori and other population groups, both as potential funding applicants and beneficiaries of environmental improvement.

### **Human Rights**

34. These proposals are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

### **Use of External Resources**

35. No external resources have been used to develop this paper.

### **Consultation**

36. No consultation has been undertaken in relation to these specific proposals, given Budget sensitivity.
37. MfE worked with the Treasury on the development of these proposals. Input was sought from MPI, DOC, and LINZ regarding potential use of levy funding.

## Communications

38. I intend to communicate the decisions made in this paper as part of Budget 2025 announcements.

## Proactive Release

39. I intend to proactively release this paper and associated Cabinet committee papers and minutes as part of the normal Budget 25 release, subject to redaction as appropriate under the Official Information Act 1982.

## Recommendations

The Minister for the Environment recommends that the Committee:

- 1 **note** that Cabinet directed officials to identify a suitable annual cap for waste-related investment, and a wider range of environmental activities that could be levy funded and save government expenditure as part of Budget 2025 [CAB-24-MIN-0138]
- 2 **agree** to set an annual allocation of \$40 million for the Waste Minimisation Fund for new initiatives
- 3 **agree** to set an annual allocation of \$20 million for the Contaminated Sites and Vulnerable Landfills Fund for new initiatives
- 4 **agree** that a buffer of 10% of forecast central government portion of levy revenue each year be set aside to manage forecasting risk
- 5 **agree** that the Crown guarantee funding for the initiatives in this paper, in the event levy revenue is lower than forecast, to ensure they can continue delivery
- 6 **agree** to allocate an additional \$47.107m levy funds over four years (and into out-years) to cover Ministry for the Environment's waste minimisation administration, and waste and hazardous substance functions
- 7 **agree** to allocate the remaining available levy funding, a forecast average of \$70 million each year over the next four years, broadly as follows (noting the exact split may have minor change as final figures are locked in by Treasury; actual amounts each year will also vary given different activity spend profiles across the budget period):
  - 7.1 \$30 million each year to fund initiatives currently funded by the government, therefore achieving savings in Crown expenditure
  - 7.2 \$10 million each year for remediation of contaminated sites, focused on land for which the Crown is liable (as distinct from the \$20 million for the Contaminated Sites and Vulnerable Landfills Fund referred to in recommendation (3))

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7.3 \$30 million each year for other environmental priorities, managed by the Ministry for the Environment within an environmental investment fund (noting recommendation 9 below)

8 9(2)(f)(iv)

9 **note** the Ministry for the Environment will move to consolidate existing investment activity (excluding the Waste Minimisation Fund) into a single environmental investment fund to improve coherence and value of investment

10 **agree** that any excess revenue from the buffer identified at recommendation (4) that is not needed to manage forecasting risk within a financial year be retained for priority use within the environmental investment fund (for example emergency waste)

11 **agree** that any operating surpluses across levy-funded activities (or through higher-than-expected levy collection), excluding funds collected before 1 July 2024 (which are subject to a narrower scope), can form part of the environmental investment fund

12 **note** necessary appropriation changes to give effect to the decisions in this paper will be included in the Budget 2025 Cabinet paper

13 **agree** to delegate to the Ministers for the Environment, Agriculture, Forestry, Conservation and Land Information, with the Minister of Finance, to agree any outstanding matters following Budget financial recommendations to implement these decisions

14 **agree** in principle to pursue wider consolidation of environmental investment across relevant government agencies, with a report back led by the Minister for the Environment on potential scope, responsibilities and pace of consolidation by 31 August 2025 to support Budget 26 decisions

Authorised for lodgement

Hon Penny Simmonds

Minister for the Environment

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Appendix 1: Waste Levy - Funding Allocation

	2025/26	2026/27	2027/28	2028/29	TOTAL	Description	Cabinet paper reference (paragraph/recommendation)
<b>Revenue &amp; territorial local authority disbursements</b>							
Forecast levy revenue	255,721	273,115	301,719	301,217	1,131,772	Forecasted levy revenue collected from landfills	
Disbursements to territorial local authorities (50% of levy revenue)	(127,861)	(136,558)	(150,860)	(150,609)	(565,886)	Levy disbursements to territorial local authorities (50%)	Paragraph 3
<b>Net funding available</b>	<b>127,861</b>	<b>136,558</b>	<b>150,860</b>	<b>150,609</b>	<b>565,886</b>	Forecast total available for Crown allocation	
<b>Waste envelope (paragraph 3.1)</b>							
<i>Note these figures exclude the waste minimisation fund (proposed \$40m/year cap), which will be allocated from previous years' surplus levy funding. The later table '[Pre B24] Memorandum Account Balance (next four years)' includes proposed WMF cap and forecast expenditure</i>							
MFE: Discount (buffer)	(12,786)	(13,656)	(15,086)	(15,061)	(56,589)	Discount (appropriation buffer), as 10% of the central government portion, to also be available for emergency waste if available	Paragraph 7.3 Rec 4
MFE: Environment Work Programme	(15,528)	(13,403)	(13,403)	(13,403)	(55,738)	Total funding needed for waste and hazardous substances programme (partially funded from current appropriation).	Paragraph 10.1, table after paragraph 10 Rec 6
MFE: Waste Minimisation Administration	(13,429)	(13,615)	(13,615)	(13,615)	(54,273)	Total funding needed for waste minimisation administration (partially funded from current appropriation).	Paragraph 10.2, table after paragraph 9 Rec 6
MFE: Contaminated sites and vulnerable landfills fund (CSVLF)	(20,000)	(20,000)	(20,000)	(20,000)	(80,000)	Continuing this fund for applications over the four year period.	Paragraph 7.2 Rec 3
<b>Total waste envelope</b>	<b>(61,743)</b>	<b>(60,674)</b>	<b>(62,104)</b>	<b>(62,079)</b>	<b>(246,599)</b>		
<b>Existing MfE Environmental Funds (approved through B24)</b>							
MFE: Freshwater Improvement Fund	(38,000)	-	-	-	(38,000)	Current appropriation (B24). This fund supports the management of New Zealand lakes, rivers, streams, groundwater and wetlands. This fund will be in its final year (2025/2026)	N/A
MFE: Kaipara Moana Remediation	(14,400)	(14,500)	(13,900)	-	(42,800)	Current appropriation (B24). This is a \$100 million multi-year Vote Environment appropriation with the purpose of halting degradation and working towards more productive, sustainable and high value use of land within the Kaipara catchment	N/A
<b>Total existing MfE environmental funds</b>	<b>(52,400)</b>	<b>(14,500)</b>	<b>(13,900)</b>	<b>-</b>	<b>(80,800)</b>		

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<b>Average \$70 million per year surplus funds to high value / wider initiatives (paragraph 3.2)</b>							
MFE: Kaipara Moana Remediation - 2028/29 (savings)	-	-	-	(14,100)	<b>(14,100)</b>	See above description for Kaipara Moana Remediation. Including 2028/2029 for this multi-year programme.	Paragraph 11.1 Rec 7.1
MFE: Promotion of Sustainable Land Management (savings)	(800)	(800)	(800)	(800)	<b>(3,200)</b>	This funding supports the New Zealand Landcare Trust to promote sustainable land management practice through a national network of coordinators.	Paragraph 11.1 Rec 7.1
MFE: Toimata (Environmental training Programmes) (savings)	(1,600)	(1,600)	(1,600)	(1,600)	<b>(6,400)</b>	Aims to support an action-based education programme where young people plan, design and implement sustainability projects and become catalysts for change in their families, within the wider New Zealand community.	Paragraph 11.1 Rec 7.1
DOC: Landscape Scale Eradication and Research Investment – Zero Invasive Predator (savings)	(5,952)	(5,952)	(5,302)	(5,302)	<b>(22,508)</b>	DOC and the NEXT foundation have a partnership that combines Crown and philanthropic funding to deliver predator eradication programmes via Zero Invasive Predator (ZIP). This funding supports ZIP to deliver the Predator Free South Westland and Predator Free Rakiura/Stewart Island programmes, including predator management and eradication, species management and research. Note this is not the full funding profile for this initiative.	Paragraph 11.1 Rec 7.1
DOC: Community Conservation Funds (savings)	(4,909)	(4,909)	(4,909)	(4,909)	<b>(19,636)</b>	A contestable fund that supports community-led conservation projects on public and private land, which protect and restore threatened species and ecosystems.	Paragraph 11.1 Rec 7.1
DOC: Ngā Whenua Rāhui (savings)	(6,914)	(6,914)	(6,914)	(6,914)	<b>(27,656)</b>	A contestable fund that supports the protection of indigenous biodiversity on Māori-owned land. Public conservation land does not contain a full representation of all of New Zealand's indigenous biodiversity, and therefore this fund is an important avenue for protecting private land with high conservation values.	Paragraph 11.1 Rec 7.1
MPI: Hill Country Erosion Programme (savings)	(6,300)	(6,300)	(6,950)	(6,950)	<b>(26,500)</b>	This programme provides funding to support councils and landowners to protect vulnerable erosion-prone soils. Loss of productive land through erosion has a significant impact on the environment.	Paragraph 11.1 Rec 7.1
EPA: Updating toxicological models (additional expenditure)	(5,000)	(5,000)	-	-	<b>(10,000)</b>	Updating the Environmental Protection Authority's models used to assess	Paragraph 11.3 Rec 7.3

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						hazardous substances. Expenditure phasing is to be confirmed.	
MFE: Expanding funding for catchment level activities (additional expenditure)	(25,000)	(25,000)	(30,000)	(30,000)	<b>(110,000)</b>	Continuing important catchment-level activity, bolstering local and regional work through government support.	Paragraph 11.3 Rec 7.3
Multiple agencies: Crown site liability reduction (mix of savings and additional expenditure)	(10,000)	(10,000)	(10,000)	(10,000)	<b>(40,000)</b>	Savings include DOC's contaminated sites programme (\$8m total). Balance for additional Crown site liability reduction spend.	Paragraph 11.2 Rec .2
<b>Total new high value / wider initiatives</b>	<b>(66,475)</b>	<b>(66,475)</b>	<b>(66,475)</b>	<b>(80,575)</b>	<b>(280,000)</b>	Average of \$70m per year	Paragraph 11
<b>Net Revenue / (Expenditure)</b>	<b>(52,758)</b>	<b>(5,091)</b>	<b>8,381</b>	<b>7,955</b>	<b>(41,513)</b>	See memorandum account balance tables below - Memorandum Surplus / Deficit trending towards zero over time	

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[Post B24] Memorandum Account Balance (next four years)				
Forecasted Opening Balance (2025/26)	<b>35,571</b>			
Total Revenue	255,721	273,115	301,719	301,217
Total Expenditure	(308,479)	(278,206)	(293,338)	(293,262)
<b>Net Revenue / (Expenditure)</b>	<b>(52,758)</b>	<b>(5,091)</b>	<b>8,381</b>	<b>7,955</b>
Memorandum Surplus / Deficit	<b>(17,187)</b>	<b>(22,278)</b>	<b>(13,897)</b>	<b>(5,942)</b>

[Pre B24] Memorandum Account Balance (next four years)					Description	Cabinet paper reference (paragraph/recommendation)
Forecasted Opening Balance (2025/26)	144,790					
Contestable Waste Minimisation Fund (historic unallocated funds)	(36,008)	(34,399)	(38,645)	(35,468)	Forecast expenditure from proposed \$40 million annual cap for WMF allocation to new projects. Figures here modelled on expenditure. Has no impact on the surplus due to use of unallocated funds from previous financial years. Includes forecast expenditure for existing WMF projects (as at Jan 25) in contract (or in contracting). Includes expenditure from existing portfolio of reducing emissions from waste initiatives	Paragraph 7.1 Rec 2
Memorandum Surplus / Deficit	<b>108,782</b>	<b>74,383</b>	<b>35,738</b>	<b>270</b>		
<b>Net Memorandum Account Balance</b>	<b>91,595</b>	<b>52,105</b>	<b>21,841</b>	<b>(5,672)</b>		

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Office of the Minister for the Environment

Cabinet Economic Policy Committee

## Budget 2025: Waste Levy allocation and consolidating environmental funds

### Proposal

1. This paper seeks agreement to:
  - 1.1 allocate waste disposal levy funds over the next four years (including some longer term provisions), as part of Budget 25 decision-making, balancing waste and wider environmental priorities as we pursue fiscal savings and improved value from investment
  - 1.2 pursue integration of environmental investment, initially through consolidating the Ministry for the Environment's (MfE's) investment landscape and, with Cabinet's support, exploring wider consolidation across relevant agencies with a report back ahead of Budget 26.

### Relation to government priorities

2. Better integrated investment and well-targeted funding allocation decisions will support the Government's growth agenda, deliver fiscal savings and improve fiscal discipline over time.

### Executive Summary

3. Approximately \$565 million in waste disposal levy (levy) revenue is expected to be collected for Crown use over the next four years. This was partially allocated through Budget 24. I propose to allocate the following through Budget 25 (detailed in Appendix 1):
  - 3.1 **\$247 million to a waste envelope**,<sup>1</sup> comprising:
    - 3.1.1 enduring provisions (including and beyond the four year period): \$40m annual cap for the Waste Minimisation Fund (WMF), \$20m annual cap for the Contaminated Sites and Vulnerable Landfills Fund (CSVLF), a 10% contingency buffer to address appropriation risk;

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<sup>1</sup> Some of this envelope was already allocated through Budget 2024. Proposed WMF funding comes from a pool of unallocated levy funds that can only be used for these specific purposes and does not draw down on any of the \$565m in revenue expected to be collected for Crown use over the next four years.

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- 3.1.2 an additional \$47m over four years (and into out-years) for MfE to undertake its waste, hazardous substances and levy administration functions;
  - 3.2 **\$70 million per year over four years surplus funds to high value / wider initiatives**, including enabling \$30m/year savings by funding some existing initiatives through the levy, a further \$10m/year for contaminated sites where there is Crown liability (distinct from the contestable CSVLF), and \$30m/year for other high value initiatives including catchment level activities and revising the Environmental Protection Authority's (EPA's) ecotoxicity models.
4. I seek agreement to better integrate investment across government, to improve the coherence and value what government invests. This exercise would begin with MfE consolidating its activity into an environmental investment fund (excluding the WMF, which has a well-known purpose and function). I expect there would be significant value in wider consolidation, and I propose to report back to Cabinet on this ahead of Budget 26.

### Background

5. Effective 1 July 2024, the Waste Minimisation Act 2008 (WMA) was amended to expand the scope of what the levy can be spent on [CAB-24-MIN-0138 refers],<sup>2</sup> to include:
  - 5.1 activities that reduce environmental harm or increase environmental benefits;
  - 5.2 funding local authorities to manage emergency waste and to repair or replace waste infrastructure damaged by an emergency;
  - 5.3 funding MfE to undertake its functions and duties, and exercise its power, in relation to waste management and minimisation, and hazardous substances.
6. Cabinet directed officials to identify a suitable annual quantum for waste-related investment (including an annual cap on the WMF) and a wider range of environmental activities across government that could be funded by the levy instead of Crown funding, generating fiscal savings.

### Analysis

#### ***Waste envelope funding allocation***

7. Firstly, I seek agreement to a 'waste envelope' as set out below.

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<sup>2</sup> Cabinet also agreed to amend the levy rates set in the Waste Minimisation (Calculation and Payment of Waste Disposal Levy) Regulations 2009, to increase incentives to minimise waste and raise additional revenue to achieve environmental priorities

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- 7.1 Continuing the WMF, with an annual allocation of \$40 million for new initiatives (noting individual investment decisions are then made through an established process);
- 7.1.1 I considered, but ruled out, a lower amount (\$30 million) which would only cover *New Zealand's Second Emissions Reduction Plan (2026-30)* commitments and miss valuable investment to recover value from waste and divert it from landfill.
- 7.1.2 This funding also comes from a pool of unallocated levy funds that can only be used for these specific purposes, so the proposed \$40 million cap does not impact savings potential within this Budget period (but allocation now would remove options for its use later).
- 7.2 Continuing the CSVLF – with an annual allocation of \$20 million to new contaminated sites and vulnerable landfill initiatives;<sup>3</sup>
- 7.3 Apply an appropriate buffer, being 10% of the central government portion of annual levy revenue, to help manage the risk of actual levy revenue being lower than forecast in a given year.<sup>4</sup> Levy revenue is impacted by many factors including economic conditions, which makes forecasts inherently uncertain. If actual levy revenue is lower than the buffer can manage, we may need to review the buffer level or explore other options in future. I also seek agreement that the Crown guarantee funding for the initiatives in this paper, to ensure they can continue delivery if levy revenue is lower than forecast.
- 7.4 Departmental adjustments to account for MfE's relevant functions, which have been confirmed since our earlier Budget 24 decisions (outlined below).
8. At the end of each financial year, actual levy payments received may be in line or higher than was forecast. I recommend, in those cases, that any unused buffer is retained within the proposed environmental investment fund (discussed further below), to be prioritised to high value initiatives (including unexpected costs from emergencies like severe weather events). I do not recommend a fixed annual allocation for emergency waste, given the uncertainty of whether these events happen each year. However, this approach will ensure that, over time, any additional revenue realised is available to help manage this risk (while noting this may not cover all relevant costs related to events).
9. I also propose that any other underspends from levy-funded work programmes, and any levy revenue collected above the buffer, would also be

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<sup>3</sup> Note, I also propose a further annual allocation of \$10 million over four years from surplus levy funds, (paragraph 11.2 below), outside of this 'waste envelope' allocation.

<sup>4</sup> For example, levy revenue has been re-forecasted down by 12% within the last 12 months.

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available for reallocation within an environmental investment fund.<sup>5</sup> This is consistent with a shift to better integrated investment – starting with MfE – and being able to manage and allocate investment within a single fund.

### *Departmental adjustments*

10. As detailed in the table below, I seek departmental adjustments as follows:

- 10.1 Environment work programme (waste and hazardous substances) – our previous amendments to the WMA allowed the levy to fund MfE’s Departmental waste and hazardous substance functions. This enabled Budget 2024 savings to the Crown by returning a portion of MfE’s baseline funding. The balance reallocated in outyears was in-line with the Crown funding profile at that time, but not adjusted while the Ministry was undergoing its operating model review. The Ministry and I have subsequently agreed priorities for the waste and hazardous substances programme, and MfE has concluded its operational review. Accordingly, I seek agreement to allocate an additional \$16.458 million funding over four years (and into out-years) to allow MfE to continue this work programme at its current level beyond 2026/27, as recently agreed by Cabinet [ECO-24-MIN-0254].
- 10.2 Waste Minimisation Administration (collecting and administering the levy) – from 2025/26 there is a known funding drop (back to 2022/23 levels which were set before the levy was expanded). Those levels do not reflect the increased costs of collecting the levy from more landfills and distributing more money through waste investments. Budget 24 led to an external efficiency and effectiveness review for these functions by KPMG which noted ‘*the current levels [\$12.7m] of departmental funding should be considered as closer to the minimum cost to deliver these services.*’ Accordingly, I seek agreement to allocate an additional \$30.649 million over four years (and into out-years) which is materially in line with KPMG’s assessment.

Departmental Output Expenses	\$m				
	2025/26	2026/27	2027/28	2028/29 & Out years	Total
<b>Environment Work Programme (waste and hazardous substances)</b>					
Current appropriation	16.480	7.600	7.600	7.600	39.280
Total funding required	15.528	13.403	13.403	13.403	55.738
<b>Difference (waste levy funding sought)</b>	<b>(0.952)</b>	<b>5.803</b>	<b>5.803</b>	<b>5.803</b>	<b>16.458</b>

<b>Waste Minimisation Administration (collecting and administering waste levy)</b>					
Current appropriation	5.906	5.906	5.906	5.906	23.624

<sup>5</sup> This excludes levy funds that were collected before 1 July 2024, which can only be spent on a narrower set of parameters.

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Funding required	13.429	13.615	13.615	13.615	54.273
<b>Difference (waste levy funding sought)</b>	<b>7.523</b>	<b>7.709</b>	<b>7.709</b>	<b>7.709</b>	<b>30.649</b>

<b>Total current appropriation</b>	<b>22.386</b>	<b>13.506</b>	<b>13.506</b>	<b>13.506</b>	<b>62.904</b>
<b>Total funding required</b>	<b>28.957</b>	<b>27.018</b>	<b>27.018</b>	<b>27.018</b>	<b>110.011</b>
<b>Total (net) funding sought</b>	<b>6.571</b>	<b>13.512</b>	<b>13.512</b>	<b>13.512</b>	<b>47.107</b>

### ***Allocation of remaining levy funds over the budget period***

11. After the above allocations, an average of \$70 million of levy funding is forecast to be available each year over the budget period. Balancing our interests, I propose allocating these funds broadly as follows (noting the exact split will have minor change as final figures are locked in by Treasury; actual amounts each year will also vary given different activity spend profiles across the budget period):

- 11.1 **\$30 million each year to achieve savings in government expenditure** – this would replace existing Crown funding for certain programmes identified by Treasury across MfE, Department of Conservation (DOC), and the Ministry for Primary Industries (MPI).<sup>6</sup>
- 11.2 **A further \$10 million each year for contaminated sites** – this would target direct investment in sites where there is Crown liability, as distinct from the CSVLF that others can apply for (paragraph 7.2). Treasury identified this as a key option for available levy funds. I have asked the Minister of Land Information to direct his officials to identify priority areas and advise MfE. The Treasury and Land Information New Zealand (LINZ) are currently exploring options to fund the management and remediation of historic acid mine drainage at Stockton Mine from these levy funds, as an initial case.
- 11.3 **\$30 million each year for other priority initiatives** – this would be managed by MfE within the proposed environmental investment fund discussed further below. I intend, having worked closely with the Associate Minister of Agriculture, that most of this funding (around \$100-\$110 million over the budget period) would be allocated on a contestable basis for important catchment-level activity. Funding for such activity across government is about to significantly reduce. Some ongoing investment, bolstering local and regional effort, would recognise the high public value of catchment work; this will also be a critical lever to effectively implement our resource management reforms. I intend that the remaining funding (around \$10 million) is used

<sup>6</sup> MPI's Accelerating New Greenhouse Gas Emissions programme was also identified by Treasury (\$75.57 million per year over four years). However, I do not recommend including that programme as doing so would require consultation with the sector and exceed the amount available for savings.

to update the Environmental Protection Authority's (EPA's) ecotoxicity models for assessing hazardous substances. These models are central to the integrity of assessments and are outdated, a view shared by the Ministry for Regulation.<sup>7</sup>

***Consolidating activity and improving value through an environmental investment fund***

12. As part of Budget 25 work, the Minister of Finance asked me to explore consolidating environmental funds. Having considered this, there is significant opportunity to improve the value from environmental investment, supporting our strong focus on performance and fiscal discipline. This is important context for the funding allocation decisions I am seeking, to move away from the fragmented investment landscape we inherited to a more integrated view.
13. There are two broad dimensions to this shift: (i) consolidating MfE's investment activity – something we can action now; and (ii) broader consolidation of funds and expenditure across other agencies who also undertake environmental investment – which will take more time.
14. The Parliamentary Commissioner for the Environment has underscored the complexity of the investment landscape; there are a very large number of funds and around \$1 billion of expenditure across government. A consolidated approach could have significant benefits, including:
  - 14.1 more flexibility to maximise value for money, connect to government priorities and recognise environmental interdependencies;
  - 14.2 a simpler and fairer 'one stop shop' for stakeholders, ensuring openness to investment proposals and avoiding different settings that add complexity and cost;
  - 14.3 stronger fiscal discipline from having a well-known single fund, reducing risk of unprioritised spend and expenditure growth; and
  - 14.4 stronger investment management from a more concentrated focus and less duplication of effort/resource.
15. Realising the vision will take time though we can make important progress now. In particular:
  - 15.1 I expect MfE to consolidate its investment activity (excluding the WMF)<sup>8</sup> – this consolidated investment fund (including the \$30 million for other environmental priorities noted in paragraph 11.3) will have an emphasis on high-quality integrated investment management, including robust

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<sup>7</sup> This follows findings and recommendations from the Ministry for Regulation's *Agricultural and Horticultural Products Regulatory Review* that the EPA's hazardous substance risk assessment models are "outdated and no longer fit for purpose".

<sup>8</sup> While that potential to include the WMF exists longer term, at this stage I want the WMF to continue operating without change or distraction, including to respect the interests of the waste sector who we rely on to collect the levy. Beyond the WMF, the final shape/coverage of consolidation is being actively worked through.

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prioritisation of investment options to achieve the best possible improvement in environmental outcomes.

15.2 With use of the levy for a broader range of activities, we can also expect a stronger portfolio view of those investments across agencies. New Zealanders expect a joined-up view of activity and outcomes.

15.3 To push further, I am recommending Cabinet seek a report back, led by me and working with other relevant Ministers, on how we could best pursue broader investment consolidation (including scope, responsibilities and pace). This will accelerate cross-agency work and put us in a stronger position for Budget 26 decisions.

9(2)(h)

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

### Implementation

20. The levy funds will be distributed through MfE's existing funds management systems, with savings transferred through procedures with Treasury as

<sup>9</sup> Waste Minimisation Act 2008, section 30(1)(c)(iv).

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appropriate (including appropriate mechanisms where savings identified by other agencies are to be offset through the levy).

21. MfE is responsible for administering the levy, but some initiatives will be delivered through other departments or Ministries (where they align with their respective capabilities and portfolio expertise). In those cases, the relevant department or Ministry would be accountable for that spending (for example, managing contracts, Select Committee reporting, and keeping their Minister informed). MfE would maintain oversight through its levy administration role, enabled through regular reporting from the relevant delivery agency to MfE.
22. I seek agreement to delegate any appropriation and other administrative changes that may be necessary to relevant Ministers (Environment, Agriculture, Forestry, Conservation and Land Information) alongside the Minister of Finance, to ensure timely resolution of implementation issues.
23. With regards to the move to a consolidated environmental investment fund (firstly for the Ministry for the Environment), implementation will need to be phased with commencement focused first on 'behind the scenes' consolidation and alignment of processes.

### **Cost-of-living Implications**

24. Decisions made in this paper (regarding the allocation of levy funds or the establishment of the environmental fund) will not have cost-of-living implications. As background, Cabinet previously noted officials estimated minor cost-of-living impacts from the increase in levy amounts set under the WMA [CAB-24-MIN-0138] (which is related, but not the subject of this paper).

### **Financial Implications**

25. As context, as part of the Budget 2025 process the Minister of Finance invited me to submit additional savings options from the Waste Levy, which this paper sets out, including setting a cap for the WMF.
26. The decisions proposed in this paper would result in \$128 million of savings in Crown funding. Financial implications associated with specific allocation decisions are set out in the body of this paper.
27. While we are making funding decisions here for the four-year budget period, we will have opportunity to monitor progress each Budget process, including to identify new savings options and make funding decisions for the out-year that rolls in. The cap and buffer provisions are proposed to endure beyond four years, but we can still if needed review these in future. As in some other contexts, once environmental investment is better integrated, we could consider a multi-year funding approach, relying on an investment strategy and delegations within a well-established investment system to allocate and manage funding.

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28. Appropriation changes are needed to give effect to the allocation decisions sought in this paper. Those changes will be included in the Budget 2025 Cabinet paper.
29. As wider financial context, I was also asked by the Minister of Finance as part of the Budget 2025 process to submit savings options across the funds and grants landscape (in addition to capping the WMF as discussed above). Separate to the WMF, this review found just over \$12 million of savings each year (annual average), well above the 'high' ask of \$7.84 million (across both the environment and climate portfolios).

### Legislative Implications

30. 9(2)(h)

### Impact Analysis

31. The Regulatory Impact Analysis and Climate Implications of Policy Assessment requirements do not apply to the funding decisions in this proposal.

### Population Implications

32. Allocating a portion of surplus levy funds to catchment level activities will have positive impacts for rural communities where affected catchments are located. No other specific population implications have been identified for the proposed allocations in this paper, which are not targeting any particular population group.
33. Management of better integrated environmental investment would have due regard to the interests of Māori and other population groups, both as potential funding applicants and beneficiaries of environmental improvement.

### Human Rights

34. These proposals are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

### Use of External Resources

35. No external resources have been used to develop this paper.

### Consultation

36. No consultation has been undertaken in relation to these specific proposals, given Budget sensitivity.
37. MfE worked with the Treasury on the development of these proposals. Input was sought from MPI, DOC, and LINZ regarding potential use of levy funding.

## Communications

38. I intend to communicate the decisions made in this paper as part of Budget 2025 announcements.

## Proactive Release

39. I intend to proactively release this paper and associated Cabinet committee papers and minutes as part of the normal Budget 25 release, subject to redaction as appropriate under the Official Information Act 1982.

## Recommendations

The Minister for the Environment recommends that the Committee:

- 1 **note** that Cabinet directed officials to identify a suitable annual cap for waste-related investment, and a wider range of environmental activities that could be levy funded and save government expenditure as part of Budget 2025 [CAB-24-MIN-0138]
- 2 **agree** to set an annual allocation of \$40 million for the Waste Minimisation Fund for new initiatives
- 3 **agree** to set an annual allocation of \$20 million for the Contaminated Sites and Vulnerable Landfills Fund for new initiatives
- 4 **agree** that a buffer of 10% of forecast central government portion of levy revenue each year be applied to manage forecasting risk
- 5 **agree** that the Crown guarantee funding for the initiatives in this paper, in the event levy revenue is lower than forecast, to ensure they can continue delivery
- 6 **agree** to allocate an additional \$47.107m levy funds over four years (and into out-years) to cover Ministry for the Environment's waste minimisation administration, and waste and hazardous substance functions
- 7 **agree** to allocate the remaining available levy funding, a forecast average of \$70 million each year over the next four years, broadly as follows (noting the exact split may have minor change as final figures are locked in by Treasury; actual amounts each year will also vary given different activity spend profiles across the budget period):
  - 7.1 \$30 million each year to fund initiatives currently funded by the government, therefore achieving savings in Crown expenditure
  - 7.2 \$10 million each year for remediation of contaminated sites, focused on land for which the Crown is liable (as distinct from the \$20 million for the Contaminated Sites and Vulnerable Landfills Fund referred to in recommendation (3))

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- 7.3 \$30 million each year for other environmental priorities, managed by the Ministry for the Environment within an environmental investment fund (noting recommendation 9 below)
- 8 9(2)(f)(iv) 
- 9 **note** the Ministry for the Environment will move to consolidate existing investment activity (excluding the Waste Minimisation Fund) into a single environmental investment fund to improve coherence and value of investment
- 10 **agree** that any unused levy funds (through underspends across activities, collection of more revenue than expected, or unused buffer (as per recommendation (4)) can form part of the environmental investment fund (excluding funds collected before 1 July 2024 that are subject to a narrower scope), including for emergency waste management
- 11 **note** necessary appropriation changes to give effect to the decisions in this paper will be included in the Budget 2025 Cabinet paper
- 12 **agree** to delegate to the Ministers for the Environment, Agriculture, Forestry, Conservation and Land Information, with the Minister of Finance, to agree any outstanding matters following Budget financial recommendations to implement these decisions
- 13 **agree** in principle to pursue wider consolidation of environmental investment across relevant government agencies, with a report back led by the Minister for the Environment on potential scope, responsibilities and pace of consolidation by 31 August 2025 to support Budget 26 decisions

Authorised for lodgement

Hon Penny Simmonds

Minister for the Environment

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**Appendix 1: Waste Levy - Funding Allocation**

	2025/26	2026/27	2027/28	2028/29	TOTAL	Description	Cabinet paper reference (paragraph/recommendation)
<b>Revenue &amp; territorial local authority disbursements</b>							
<b>Forecast levy revenue</b>	<b>255,721</b>	<b>273,115</b>	<b>301,719</b>	<b>301,217</b>	<b>1,131,772</b>	Forecasted levy revenue collected from landfills	Paragraph 3
Disbursements to territorial local authorities (50% of levy revenue)	(127,861)	(136,558)	(150,860)	(150,609)	<b>(565,886)</b>	Levy disbursements to territorial local authorities (50%)	
<b>Net funding available</b>	<b>127,861</b>	<b>136,558</b>	<b>150,860</b>	<b>150,609</b>	<b>565,886</b>	Forecast total available for Crown allocation	
<b>Waste envelope (paragraph 3.1)</b>							
<i>Note these figures exclude the waste minimisation fund (proposed \$40m/year cap), which will be allocated from previous years' surplus levy funding. The later table '[Pre B24] Memorandum Account Balance (next four years)' includes proposed WMF cap and forecast expenditure</i>							
MFE: Discount (buffer)	(12,786)	(13,656)	(15,086)	(15,061)	<b>(56,589)</b>	Discount (appropriation buffer), as 10% of the central government portion, to also be available for emergency waste if available	Paragraph 7.3 Rec 4
MFE: Environment Work Programme	(15,528)	(13,403)	(13,403)	(13,403)	<b>(55,738)</b>	Total funding needed for waste and hazardous substances programme (partially funded from current appropriation).	Paragraph 10.1, table after paragraph 10 Rec 6
MFE: Waste Minimisation Administration	(13,429)	(13,615)	(13,615)	(13,615)	<b>(54,273)</b>	Total funding needed for waste minimisation administration (partially funded from current appropriation).	Paragraph 10.2, table after paragraph 9 Rec 6
MFE: Contaminated sites and vulnerable landfills fund (CSVLF)	(20,000)	(20,000)	(20,000)	(20,000)	<b>(80,000)</b>	Continuing this fund for applications over the four year period.	Paragraph 7.2 Rec 3
<b>Total waste envelope</b>	<b>(61,743)</b>	<b>(60,674)</b>	<b>(62,104)</b>	<b>(62,079)</b>	<b>(246,599)</b>		
<b>Existing MfE Environmental Funds (approved through B24)</b>							
MFE: Freshwater Improvement Fund	(38,000)	-	-	-	<b>(38,000)</b>	Current appropriation (B24). This fund supports the management of New Zealand lakes, rivers, streams, groundwater and wetlands. This fund will be in its final year (2025/2026)	N/A
MFE: Kaipara Moana Remediation	(14,400)	(14,500)	(13,900)	-	<b>(42,800)</b>	Current appropriation (B24). This is a \$100 million multi-year Vote Environment appropriation with the purpose of halting degradation and working towards more productive, sustainable and high value use of land within the Kaipara catchment	N/A
<b>Total existing MfE environmental funds</b>	<b>(52,400)</b>	<b>(14,500)</b>	<b>(13,900)</b>	<b>-</b>	<b>(80,800)</b>		

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<b>Average \$70 million per year surplus funds to high value / wider initiatives (paragraph 3.2)</b>							
MFE: Kaipara Moana Remediation - 2028/29 (savings)	-	-	-	(14,100)	<b>(14,100)</b>	See above description for Kaipara Moana Remediation. Including 2028/2029 for this multi-year programme.	Paragraph 11.1 Rec 7.1
MFE: Promotion of Sustainable Land Management (savings)	(800)	(800)	(800)	(800)	<b>(3,200)</b>	This funding supports the New Zealand Landcare Trust to promote sustainable land management practice through a national network of coordinators.	Paragraph 11.1 Rec 7.1
MFE: Toimata (Environmental training Programmes) (savings)	(1,600)	(1,600)	(1,600)	(1,600)	<b>(6,400)</b>	Aims to support an action-based education programme where young people plan, design and implement sustainability projects and become catalysts for change in their families, within the wider New Zealand community.	Paragraph 11.1 Rec 7.1
DOC: Landscape Scale Eradication and Research Investment – Zero Invasive Predator (savings)	(5,952)	(5,952)	(5,302)	(5,302)	<b>(22,508)</b>	DOC and the NEXT foundation have a partnership that combines Crown and philanthropic funding to deliver predator eradication programmes via Zero Invasive Predator (ZIP). This funding supports ZIP to deliver the Predator Free South Westland and Predator Free Rakiura/Stewart Island programmes, including predator management and eradication, species management and research. Note this is not the full funding profile for this initiative.	Paragraph 11.1 Rec 7.1
DOC: Community Conservation Funds (savings)	(4,909)	(4,909)	(4,909)	(4,909)	<b>(19,636)</b>	A contestable fund that supports community-led conservation projects on public and private land, which protect and restore threatened species and ecosystems.	Paragraph 11.1 Rec 7.1
DOC: Ngā Whenua Rāhui (savings)	(6,914)	(6,914)	(6,914)	(6,914)	<b>(27,656)</b>	A contestable fund that supports the protection of indigenous biodiversity on Māori-owned land. Public conservation land does not contain a full representation of all of New Zealand's indigenous biodiversity, and therefore this fund is an important avenue for protecting private land with high conservation values.	Paragraph 11.1 Rec 7.1
MPI: Hill Country Erosion Programme (savings)	(6,300)	(6,300)	(6,950)	(6,950)	<b>(26,500)</b>	This programme provides funding to support councils and landowners to protect vulnerable erosion-prone soils. Loss of productive land through erosion has a significant impact on the environment.	Paragraph 11.1 Rec 7.1
EPA: Updating toxicological models (additional expenditure)	(5,000)	(5,000)	-	-	<b>(10,000)</b>	Updating the Environmental Protection Authority's models used to assess	Paragraph 11.3 Rec 7.3

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						hazardous substances. Expenditure phasing is to be confirmed.	
MFE: Expanding funding for catchment level activities (additional expenditure)	(25,000)	(25,000)	(30,000)	(30,000)	<b>(110,000)</b>	Continuing important catchment-level activity, bolstering local and regional work through government support.	Paragraph 11.3 Rec 7.3
Multiple agencies: Crown site liability reduction (mix of savings and additional expenditure)	(10,000)	(10,000)	(10,000)	(10,000)	<b>(40,000)</b>	Savings include DOC's contaminated sites programme (\$8m total). Balance for additional Crown site liability reduction spend.	Paragraph 11.2 Rec .2
<b>Total new high value / wider initiatives</b>	<b>(66,475)</b>	<b>(66,475)</b>	<b>(66,475)</b>	<b>(80,575)</b>	<b>(280,000)</b>	Average of \$70m per year	Paragraph 11
<b>Net Revenue / (Expenditure)</b>	<b>(52,758)</b>	<b>(5,091)</b>	<b>8,381</b>	<b>7,955</b>	<b>(41,513)</b>	See memorandum account balance tables below - Memorandum Surplus / Deficit trending towards zero over time	

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<b>[Post B24] Memorandum Account Balance (next four years)</b>				
Forecasted Opening Balance (2025/26)	<b>35,571</b>			
Total Revenue	255,721	273,115	301,719	301,217
Total Expenditure	(308,479)	(278,206)	(293,338)	(293,262)
<b>Net Revenue / (Expenditure)</b>	<b>(52,758)</b>	<b>(5,091)</b>	<b>8,381</b>	<b>7,955</b>
Memorandum Surplus / Deficit	<b>(17,187)</b>	<b>(22,278)</b>	<b>(13,897)</b>	<b>(5,942)</b>

<b>[Pre B24] Memorandum Account Balance (next four years)</b>					<b>Description</b>	<b>Cabinet paper reference (paragraph/recommendation)</b>
Forecasted Opening Balance (2025/26)	144,790					
Contestable Waste Minimisation Fund (historic unallocated funds)	(36,008)	(34,399)	(38,645)	(35,468)	Forecast expenditure from proposed \$40 million annual cap for WMF allocation to new projects. Figures here modelled on expenditure. Has no impact on the surplus due to use of unallocated funds from previous financial years.  Includes forecast expenditure for existing WMF projects (as at Jan 25) in contract (or in contracting). Includes expenditure from existing portfolio of reducing emissions from waste initiatives	Paragraph 7.1 Rec 2
Memorandum Surplus / Deficit	<b>108,782</b>	<b>74,383</b>	<b>35,738</b>	<b>270</b>		
<b>Net Memorandum Account Balance</b>	<b>91,595</b>	<b>52,105</b>	<b>21,841</b>	<b>(5,672)</b>		