

Report of the Ministry for the Environment

For the year ended 30 June 2005

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1 Overview

Chief Executive's overview

The Ministry marked the end of the 2004/05 financial year with a move to Environment House, a new building in Kate Sheppard Place. After nearly 20 years in possibly the most invisible building in Wellington's central business district, the Ministry enjoys being close to Parliament and other departments, and having all head office staff under one roof. We know that the many people and organisations we meet with during the year will also appreciate being able to find us easily and will enjoy using our improved meeting room facilities.

By getting involved with the building before work began, we have had all aspects of sustainability that were practical and economic incorporated into the design and fit-out. One feature we have brought from our previous home is the emphasis on reducing waste, with recycling facilities provided on each floor.

Buildings were also the focus of attention at one of our high-profile events during the year – the launch of the New Zealand Urban Design Protocol by HRH the Prince of Wales. Since 86% of New Zealand's population lives in urban areas, our quality of life is closely linked with the quality of our urban environment. A commitment to improving the quality of our built environment has now been made by 93 departments, councils and other organisations.

Amending environmental legislation was also a key theme of the year. Following the announcement in September 2004 of government proposals to improve the Resource Management Act and the way it operates in practice, the Ministry turned its attention to developing an amendment bill. The bill was passed by Parliament in August 2005. Implementation of some proposals did not require legislative change, including developing a programme of proposed national policy statements and national environmental standards. New Zealand's first national environmental standards, which ban activities that release dioxins and other toxins, came into effect in October 2004.

Parliament also considered amendments to the Hazardous Substances and New Organisms Act (HSNO Act). These are intended to simplify the transfer of about 70,000 notified toxic substances to the control of the HSNO Act by June 2006. The amendment bill completed the process of Select Committee consideration and was well received as reducing the cost of complying with the Act without compromising public safety and the environment. However, it was not passed in the last term of Parliament and remains on our work programme.

This year we made some changes to the structure of the Ministry, establishing both an Urban group and a Reporting and Review group. These new groups help us focus on two increasingly important areas of our activities – the urban and sustainable cities programmes, and reporting nationally and internationally on environmental matters.

Overall, the year under review has been both busy and successful for the Ministry for the Environment.



Barry Carbon
Chief Executive

Statement of Objectives

The Ministry's **vision** is:

- A healthy environment which sustains people and nature.

We see our **mission** as:

- Delivering the environment that New Zealanders expect and deserve.

The Ministry's **role** is to:

- provide **leadership** across government and the community on environment
- work in **partnership** with key sectors and organisations to improve our environment
- ensure that New Zealand has good environmental **governance**.

Minister's Priorities for 2004/2005

The Government's goal for the environment is to "treasure and nurture our environment with protection for ecosystems so that New Zealand maintains a clean, green environment and builds our reputation as a world leader in environmental issues".

The priority environmental issues for the Minister in 2004/05 were:

- the Resource Management Act review
- the Making Good Decisions Programme
- national environmental standards
- freshwater initiatives, including:
 - the Sustainable Water Programme of Action
 - water quality in Lake Taupo and the Rotorua lakes
 - water allocation in the Waitaki catchment
- aquaculture reform
- the Talk Environment Roadshow
- organisation and facilitation of the Chief Executives' Environment Forum
- establishing a unique marine management regime for the Fiordland area
- sustainable industry
- climate change
- Marine Environment Classification
- the launch of the New Zealand Urban Design Protocol
- the Year of the Built Environment 2005.

The Year in Review

Priority issues

Resource Management Act (RMA) review

The RMA review, comprising of the Resource Management and Electricity Amendment Bill and associated practice improvements, represents the biggest ‘tune-up’ of the RMA since 1991.

In May 2004, the Government announced a review of the RMA, focusing on ways to improve the quality of decisions and processes whilst not compromising good environmental outcomes or public participation.

The changes to the RMA are the result of dialogue with local government, industry, environmental organisations and the wider community over an 18-month period. The review of the RMA was a Ministerial-led process that worked across government to ensure all views were represented, and local government were involved throughout the process.

The introduction of an amendment bill in December 2004 was followed by a select committee process. The amendments to the RMA are part of a wider package of changes designed to meet the following goals of the review:

- getting better and faster decisions on resource consents
- providing a means of working with councils when decisions are too big for local decision-making
- more national leadership, especially through national policy statements and standards.

Making Good Decisions Programme

The “Making Good Decisions Programme” was introduced in October 2004. It is a training, assessment and certification programme which provides RMA decision-makers with the skills and knowledge to run fair and effective notified resource consent hearings. It is targeted at local authority councillors and independent (private sector) commissioners, but is also available to anyone aspiring to be a resource management commissioner. The programme was developed in partnership with Local Government New Zealand.

Five hundred and sixty-five people registered for the first round of the programme and a total of 21 workshops were held in 14 locations around the country. After the assessment process was completed in July 2005, certificates were issued to 547 people. This certification process will be formally recognised through statutory accreditation under the latest amendments to the RMA.

Feedback from participants and councils show there is wide support for the programme.

The programme will be run on an ongoing basis, with compulsory update seminars for all successful certificate holders and new rounds for other people wanting to be accredited RMA decision-makers. The effectiveness of the programme will be continually monitored. Evaluation of resource consent hearings shows that there have been notable improvements in hearings practice since the introduction of the programme. The programme will be updated and modified as necessary to address changes in legislation and practice.

National environmental standards

The Ministry introduced the first suite of national environmental standards under the Resource Management Act 1991. These are mandatory ‘bottom line’ regulations that apply nationally and so bring greater certainty and consistency in resource management. The focus of this set of standards was on air quality.

Fourteen standards were developed and introduced including:

- seven standards banning activities that discharge significant quantities of dioxins and other toxics into the air
- five standards for new ambient (outdoor) air quality
- a design standard for new woodburners installed in urban areas
- a requirement for landfills over one million tonnes of refuse to collect greenhouse gas emissions.

Since the introduction of the standards the Ministry has provided \$800,000 to fund the purchase of new air quality monitors to help regional councils measure fine particle emissions in their airsheds accurately.

In addition, in response to concerns raised by local government, the Ministry made a number of amendments to the standards to provide councils with more flexibility in how they meet and implement the standards.

Freshwater initiatives

Sustainable Water Programme of Action

The purpose of this programme is to determine the national, regional and local interest in freshwater and to develop management options that will be both sustainable and fair.

During the year the Ministry led the development of a comprehensive discussion document on the current management of freshwater and potential directions for change. The discussion document was widely distributed to form the basis of an 'in depth' and comprehensive consultation process with local government, Maori and other key stakeholders throughout the country.

Collection and analysis of extensive stakeholder submissions was completed and summary reports were prepared and published for further feedback and continued stakeholder discussions. In addition, those areas identified as current 'gaps' in our knowledge and understanding by the consultation process are now the subject of investigations to develop robust and effective options.

Lakes

The Ministry worked effectively with our partners to establish the Lake Taupo Water Quality Programme. This programme is investigating new ways of managing excess nutrients from diffuse sources. Environment Waikato has publicly notified land use rules which cap nitrogen emissions in the catchment and the programme is taking shape.

We have supported several initiatives in the Rotorua lakes catchments, including: short term measures to address Lake Rotoiti's declining water quality; land user initiatives through the Sustainable Management Fund; and support for a successful science funding bid to better understand the effects of nutrient run-off on algal blooms so solutions can be developed.

Waitaki

In September 2003 the Government announced that it would develop an improved process for determining water allocation and resource consent applications for the Waitaki River and catchment. The Ministry was given the task of project managing this process. The process is contained in the Resource Management (Waitaki Catchment) Amendment Act 2004.

During the year a project team was based in Christchurch and Timaru providing significant logistical and technical support to the Waitaki Catchment Water Allocation Board. The Board is an independent body set up by the Government and charged with developing a water allocation plan, to be operational by 30 September 2005. The plan will ensure the best decisions are made about water use in the river and its catchment.

A draft plan was prepared and circulated for public consultation in February 2005. Submissions were called for and a public hearing commenced in June 2005 and continued throughout the 2004/05 year (over 300 submitters were heard).

Aquaculture reform

The Aquaculture Reform Act was passed in December 2004. Subsequent focus has been on implementation of the reforms and the Ministry for the Environment has continued to coordinate the overall implementation project. A stocktake and needs analysis of councils has been completed and will help guide future implementation activities. The Ministry continues to chair the steering group and provides overall coordination of the implementation work in conjunction with the Department of Conservation and the Ministry of Fisheries.

Talk Environment Roadshow

The Talk Environment Roadshow is a valuable exercise for the Ministry. It allows us to: communicate the current direction of the Ministry to our stakeholders and the wider public; present and seek feedback on key aspects of our work programmes; and gain support for our wider work programmes. It is also an important networking event for local government, industry and the community and an opportunity for local environmental issues to be raised with the Ministry.

In November 2004, 1,350 people from industry, local government and the community attended a series of meetings held across New Zealand as part of the Talk Environment Roadshow. The Roadshow visited 16 different locations around the country and covered a wide range of topics.

The Resource Management Act was of particular interest and the Roadshow provided our stakeholders with a valuable opportunity to gain a better understanding of the RMA review.

Chief Executives' Environment Forum (CEEF)

CEEF functions as a two-way mechanism to coordinate policy, share information, raise awareness and agree on a direction for environmental issues at a local and central government level.

CEEF had three successful meetings in the 2004/05 financial year, with attendees agreeing that the forum has proven to be very useful and should to be held quarterly next financial year. Agenda items covered areas such as sustainable agriculture, biosecurity, transport, energy and science funding.

CEEF is seen as an important part of business for all the agencies involved and the agenda is increasingly full and varied. Opportunities to advance agenda items between meetings are being developed.

CEEF is an excellent example of how we can work with key stakeholders to influence environmental outcomes.

Fiordland strategy

The Fiordland (Te Moana Atawhenua) Marine Management Act was passed in April 2005 establishing a unique management regime for the Fiordland area. The Ministry led the development of the Act and is coordinating its implementation, along with the development and implementation of other work programmes to give effect to the Fiordland strategy. Funding for these programmes (monitoring, compliance and enforcement, education and information, and biosecurity) was secured as new initiatives in this year's budget for the next four years. Following that the funding will be base-lined at the year four levels. The Fiordland Marine Guardians, a key part of the new management regime, were appointed in July 2005.

Sustainable industry

The Ministry's sustainable industry function had a successful year which resulted in the delivery of major programmes of work. The success of sustainable industry's work with industry and organisations was reinforced by the Government committing \$12.4 million over the next four years to the Ministry to promote environmental gains through sustainable business practices.

The Ministry has delivered on the following sustainable industry work programmes:

- A dynamic partnership with the Ministry of Tourism has been developed. This has resulted in the Northland Sustainable Tourism Project expanding to five additional regions: Rotorua; Bay of Plenty; Nelson/Tasman; Wanaka; and Southland/Fiordland.
- The New Zealand Packaging Accord has been reviewed and re-signed and now captures over 200 organisations. The Accord involves over 85% of packaging manufacturing and 80% of supermarket business, as well as local government and recyclers, setting realistic targets and reporting requirements.
- The New Zealand Packaging Accord has already proven an effective framework for joint action across the packaging lifecycle. For example, through the Accord glass recycling was rescued, with importers agreeing to a voluntary levy to help maintain a viable price for recycled glass.
- One hundred and five tonnes of orphaned agrichemicals have been collected and disposed of in conjunction with the Bay of Plenty, Northland, Hawke's Bay, Canterbury, Waikato, West Coast and Gisborne regional councils.
- The Dairying and Clean Streams Accord, which in conjunction with Fonterra and regional councils serves to improve the waterways in dairying areas, has been recognised as an excellent building block for future sustainable agriculture issues.
- The Govt³ programme, which aims to assist the government sector to operate more sustainably, has nearly doubled the number of member organisations from 24 to 47. The programme was also mandated by Cabinet who recommended that a more formal commitment from departments should be pursued.

Climate change

The key elements of progress on the implementation of the climate change policy package are as follows:

- Announcement in May 2005 of the initial rate of the carbon tax together with the release of a consultation document on its design. This is the main pillar of our policy and introduces for the first time a market price for carbon and greenhouse gas emissions.
- Agreement in April 2005 to the implementation of an acceleration programme for Negotiated Greenhouse Agreements. These agreements are an important part of the policy as they provide carbon tax relief to the major users in return for their moving to world's best practice in energy use.
- Conclusion of a successful second tender round for the Project to Reduce Emissions programme with 6 million emission units being allocated to 25 successful tenderers.
- Agreement in August 2004 to the policy to encourage small to medium sized enterprises to improve energy efficiency and reduce greenhouse gas emissions and in March 2005, confirmation of additional policy to assist the most energy-intensive of these businesses.
- Coverage of 45% of the New Zealand population by councils participating in the Communities for Climate Protection programme.
- Phase 2 of the '4 million careful owners' public awareness and education campaign, undertaken from August 2004 to February 2005 to continue to build awareness of the effects of climate change and actions New Zealanders can practically take to reduce greenhouse gas emissions.
- Continuation of under-pinning science activities including ensuring New Zealand participation in the Intergovernmental Panel on Climate Change process.

Reporting and science function

Development of New Zealand's national inventory system including the carbon monitoring/accounting system, has continued this year. Since New Zealand reported its first greenhouse gas inventory, there has been an ongoing programme of work to meet the increasingly comprehensive reporting requirements set by the United Nations Framework Convention on Climate Change (UNFCCC), including requirements for reporting under the Kyoto Protocol.

The 2003 greenhouse gas inventory (completed in April 2005) included the following improvements:

- The inventory included the effect of 28 recalculations (improvements in data, emission factors or methodology, all back-calculated to 1990) across all sectors of the inventory.
- The net effect of all the recalculations was to reduce the 1990 assigned amount of carbon dioxide equivalent emissions of greenhouse gases by 100 gigagrams CO₂ equivalent (0.2%) but also reduce the level of increase over 1990. This equates to an adjustment of 1.6 Megatons of carbon dioxide equivalent (Mt CO₂e).
- More comprehensive documentation was provided as part of New Zealand's submission this year to explain clearly the methodologies and approaches used to estimate emissions and removals.
- The 2003 inventory included a preliminary estimate for all of the land use categories under the new land use, land use change and forestry (LULUCF) reporting guidance. Previous inventories had only been able to include planted forests.
- The update of the projected balance of units during the Kyoto Protocol's first commitment period (CP1) (2008–2012) is based on the latest national inventory of greenhouse gas emissions and removals submitted to the UNFCCC on 15 April 2005.
- Due to ongoing concerns about the level of uncertainties in the basic assumptions, the projected emissions and removals via sinks have been revised as a result of a whole of government work programme coordinated by the Ministry.

Marine Environment Classification

The Ministry for the Environment has completed the Marine Environment Classification (MEC) – an environmental management tool which maps the marine environment within New Zealand’s Exclusive Economic Zone (EEZ). This tool is the third in a suite of world first environmental management tools. It follows the release of the Land Environments New Zealand (LENZ) classification and the River Environment Classification (REC). All three of these classification systems are tools for environmental management, monitoring and reporting which will enable us to see more clearly (and objectively) New Zealand’s disparate land, river and marine ecosystems. By using MEC, REC or LENZ we are better able to quantify how unique the environmental or ecological characteristics are in any given location and we are better placed to make good decisions about how we use or manage New Zealand’s natural resources.

Urban Design Protocol

The Ministry released a draft New Zealand Urban Design Protocol for public consultation on 5 August 2004. The draft Protocol was developed in conjunction with an Urban Design Advisory Group. Ten consultation forums were held in Auckland, Tauranga, Wellington, Christchurch, Queenstown, Dunedin and Hamilton, in August and September 2004 to seek feedback on the draft. The final New Zealand Urban Design Protocol was approved by Cabinet in February 2005 and officially launched in Wellington on 8 March 2005 by Hon Marian Hobbs and HRH the Prince of Wales.

By 30 June 2005, the New Zealand Urban Design Protocol had 93 signatories, including 18 local government councils and 17 central government agencies, as well as professional bodies, and private sector organisations.

A range of resource materials have been developed to support the implementation of the Urban Design Protocol, including:

- *The Value of Urban Design* report, launched on 28 June 2005 by Hon Marian Hobbs at a joint local government and property sector event in Auckland. The report reviews international and New Zealand studies for evidence of the social, economic and environmental benefits of urban design
- *Appointing an Urban Design Champion*, an information sheet providing information about appointing an Urban design Champion (May 2005)
- *Urban Design Case Studies*, illustrating practical examples of successful urban design (March 2005)
- *Urban Design Action Pack*, providing ideas of actions that could form part of signatories commitments (March 2005).

The Ministry is also supporting the New Zealand Planning Institute to develop Urban Design Continuing Professional Development Workshops for architects, planners, landscape architects, engineers and surveyors. Workshops are being held throughout the country in 2005.

The Ministry is working with Wellington City Council and other government departments to develop a framework plan and implementation programme for a ‘Government Precinct’ in Thorndon, Wellington.

Year of the Built Environment 2005

The New Zealand Government in conjunction with a consortium of local government, industry, research and professional institutes proclaimed 2005 as the Year of the Built Environment. The Ministry is coordinating and leading a multi-partner process to run the ‘Year of the Built Environment 2005’ throughout 2005/06, comprising a programme of activities and events which aims to raise awareness in New Zealand about the built environment.

2 Statement of Service Performance for the Year Ended 30 June 2005

Quality Standards for Policy Advice

The Ministry has a number of policies, standards, best practice documents and standard operating procedures to ensure that its service performance remains at an optimum level. These standards are applied to all aspects of our organisation, and are maintained through internal processes to ensure the quality of our policy advice. Such processes include peer review, and consultation within the organisation and with relevant external agencies.

Additionally, the General Managers work with the Chief Executive and the Deputy Chief Executive on a regular basis, with all issues discussed at weekly meetings to ensure work programmes remain consistent with the Ministry's core objectives.

Vote: Environment

Output Class: Environmental Policy Advice

The Ministry takes a strong role in environmental governance and provides investigation, analysis, review and advice on a range of environmental issues. This includes leading whole of government initiatives, coordinating the collaboration of central and local government in the delivery of environmental programmes and administration of legislation, as well as providing advice to the Government and others.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were intra vires and in accordance with principal statutes.

Resources employed

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Revenue:			
24,242	Crown	24,401	23,157	24,401
200	Departmental	206	0	166
0	Other	24	5	27
24,442	Total revenue	24,631	23,162	24,594
24,343	Total expenses	24,528	23,162	24,594
99	Net surplus	103	0	0

Review of output achievements

1.0 Working with Central Government to lead and participate in interdepartmental initiatives

This output contributes to the following medium term outcomes:

- A good environment that is managed through good governance and where natural resources such as air, water, soil and biodiversity are used sustainably.
- There is a coherent national picture of how the New Zealand environment is collectively managed and the delivery of services is seen to be efficient.
- The community is involved in action for the environment.
- New Zealand's environmental legislation is visibly effective and appropriate.
- Local government is a credible and efficient deliverer of environmental services.
- Our cities are healthy, safe and attractive places where business, social, and cultural life can flourish.
- New Zealand is moving towards a sustainable energy future, through increasing our use of renewable energy and making more efficient use of energy.

1.1 Sustainable development, specifically sustainable cities and energy

Support governance of the Sustainable Development Programme of Action and help infuse sustainable development behaviours across government

Ongoing. The Ministry provided strategic policy input to improving the Growth and Innovation Framework, *Opportunities for All*, and related government policy frameworks in pursuit of sustainable development.

The Ministry supported the overall governance of Sustainable Development Programme of Action and provided advice to Ministers throughout 2004/05.

The Cross Departmental Research Pool project on practical policy framework for social/environmental interface was cancelled.

Continue to partner with central government and Auckland local government agencies to improve environmental outcomes in the Auckland region in line with the Sustainable Development Programme of Action

Ongoing. The Ministry contributed to the ongoing development and implementation of the Auckland Sustainable Cities Programme, in partnership with several government agencies and all the local government councils of the Auckland region. The programme operates through a series of collaborative projects organised in six work strands. The Ministry made a particular contribution to the Transport and Urban Form and the Urban Form, Design and Development work strands.

The main work areas were:

- the Auckland School Travel Programme, launched by the Prime Minister on 18 March 2005 and under way in over 50 schools in Auckland, which is approximately 10% of the regional school roll
- regional policy statement and district plan changes required by the Local Government (Auckland) Amendment Act 2004 to better integrate land use and transport planning
- a pilot Air Quality/Bus Emissions Monitoring project to reduce emissions from Auckland's bus fleet

- development of a value case for sustainable public buildings to achieve a public sector commitment to Sustainable Public Buildings in the Auckland region by 2007
- providing initial comments to the Department of Building and Housing on the review of the Building Code.

The review of the residual provisions of the Local Government Act (1974) has been deferred until the 2005/06 financial year.

Begin the development of a sustainable building best practice guidance manual for industry, councils and the general public

Ongoing. A contract was awarded to a consortium led by Victoria University School of Architecture to collect and review available information for suitability to New Zealand conditions and user needs and to develop product development and communications and marketing plans.

Provide environmental input into the sustainable energy work stream of the Sustainable Development Programme of Action and government energy policy

Ministry staff made a significant contribution to the drafting of the *Sustainable Energy* document released in October 2004. This was followed by a successful six month consultation period, report back to Ministers, and development of initiatives. Relevant ongoing related work includes international engagement and public education around sustainable energy, and the National Energy Efficiency and Conservation Strategy and Climate Change policy reviews.

The Energy Efficiency and Conservation Authority have led the work and achieved the regulation of Minimum Energy Performance Standards for refrigeration and air conditioning.

1.2 Fisheries and marine issues, including sustainability issues under the amended Fisheries Act 1996

Contribute to work on the Foreshore and Seabed Bill and related changes to the Resource Management Act

Completed. The Foreshore and Seabed Act was passed in November 2004. We held a series of workshops with local government to discuss the implications of the Act for local government and regional councils in particular.

Develop, pass and support the implementation of the Aquaculture Reform Bill

Ongoing. The Aquaculture Reform Act was passed in December 2004. Subsequent focus has been on implementation of the reforms and the Ministry has coordinated the overall implementation project. A stocktake and needs analysis project of councils has been completed and will help guide future implementation activities. The Ministry for the Environment continues to chair the steering group and provide overall coordination of the implementation work in conjunction with the Department of Conservation and the Ministry of Fisheries.

Complete policy for implementing the Fiordland Strategy and develop special legislation

Ongoing. The Fiordland (Te Moana Atawhenua) Marine Management Act was passed in April 2005, establishing a unique management regime for the Fiordland area.

1.3 Oceans

Develop policy on options for a formal regime for managing the environmental effects of activities in the Exclusive Economic Zone by 31 October 2004

Achieved. The Marine Environment Classification, an environmental management tool which maps the marine environment within New Zealand's Exclusive Economic Zone has been completed. This is the third in a suite of world first environmental management tools. These classification systems are tools for environmental management, monitoring and reporting which will enable us to see more clearly (and objectively) New Zealand's disparate land, river and marine ecosystems.

Provide advice and general co-ordination on key marine policy issues as they arise

Two key issues identified through the Oceans Policy were progressed while the Oceans Policy project was on hold:

- A draft report, *Getting our Priorities Right: The Role of Information in Setting Priorities for management of New Zealand's Ocean* was developed, exploring our information priorities and the gaps and issues associated with the collection and dissemination of marine information.
- A draft report, *Offshore Options: Managing Environmental Effects in New Zealand's Exclusive Economic Zone* was developed, examining issues around the patchy requirements for environmental effects management in the Exclusive Economic Zone.

1.4 Biodiversity, specifically the development of a biodiversity strategy for New Zealand as well as the development of a National Policy Statement on Biodiversity

Develop national policy on indigenous biodiversity outside public conservation lands and support administration of the biodiversity funds

Ongoing. A draft national policy statement was prepared focusing on the protection of rare and depleted indigenous vegetation. The draft will now be tested with local authorities and other parties before decisions are made about its notification.

Two rounds of the Biodiversity Condition and Advice Funds were conducted during the year under review resulting in the allocation of \$2.4 million from the Biodiversity Condition Fund and \$1.1 million from the Advice Fund to help protect indigenous biodiversity on private land.

1.5 Improving the operation of the Resource Management Act 1991

Strengthen relationships with and build capacity of iwi and local government to engage effectively in the management and use of natural resources

Ongoing. We held a successful inaugural meeting in Rotorua for iwi liaison and Maori planning staff from councils in Rotorua, with a second annual hui being organised for Christchurch in March 2006. We have also been working with councils and iwi to build/facilitate relationships, including undertaking a project with Ngati Wai to develop an Aquaculture Management Plan. We have engaged directly with iwi/hapu groups where possible to provide opportunities to input into Ministry-wide developments such as the Sustainable Water Programme of Action and Aquaculture Reforms. We have convened and hosted several workshops with Maori practitioners focusing on the proposed RMA reforms.

Administer funding for Resource Management Act education and advisory projects, and grants for environment centres

Achieved. Consistent with the 2003/04 funding round, ten community law centres were provided with funding totalling \$239,000 under the Resource Management Act Education and Advisory Fund in 2004/05. The groups funded provided advice on RMA related issues to their communities, thus enabling those communities to participate in, and gain an understanding of the RMA processes.

Ten environment centres received funding totalling \$300,000 from the Environment Centre Fund. The funding provided to these groups helped them run an environment centre which provided the community with education and advice on environmental issues and promoted sustainable development and sustainable management of our resources.

Administer Environmental Legal Assistance funding

Ongoing. The Environmental Legal Assistance (ELA) Fund allocates funding each month to enable communities to take part in court proceedings on matters of environmental public interest. Of 53 applications, the Ministry funded 34 in the 2004/05 financial year (54 were funded in 2003/04 from 89 applications). Decisions or interim decisions have been released in relation to 15 cases involving groups that received ELA funding. In 11 of these cases, the funded groups either won outright or substantial gains in their favour were made. Of the remaining four cases, in one case, the funded group's appeal was disallowed (although the court decision was in the applicant group's interests); in one case, the funded group withdrew their reference; in one case, the group was unsuccessful; and in one case, the funded group's application was struck out.

Develop a straightforward and understandable package of improvements for the Resource Management Act

Ongoing. In May 2004, the Government announced a review of the RMA, focusing on ways to improve the quality of decisions and processes whilst not compromising good environmental outcomes or public participation.

The changes to the RMA are the result of dialogue with local government, industry, environmental organisations and the wider community over an 18-month period. The review of the RMA was a Ministerial-led process that worked across government to ensure all views were represented, and key figures from local government were involved throughout the process.

The introduction of an amendment bill in December 2004 was followed by a select committee process. The amendments to the RMA are part of a wider package of changes designed to meet the following goals of the review:

- getting better and faster decisions on resource consents
- providing a means of working with councils when decisions are too big for local decision-making
- more national leadership, especially through national policy statements and standards.

1.6 Improve the operation of the Hazardous Substances and New Organisms Act 1996

Continue to improve workability, increase certainty and reduce delays and costs of the Hazardous Substances and New Organisms (HSNO) legislation

Achieved and ongoing. The HSNO (Approvals and Enforcement) Amendment Bill was introduced to the House and its Select Committee process was completed. The Bill provides for group standards, a new approval mechanism that will assist the transfer of notified toxic substances and can be applied to products that include a manufactured article, a waste product, or a manufacturing by-product that is, contains, incorporates or includes a hazardous substance.

Amendments to regulations were gazetted to enable sensible controls for the transfer of, and new approvals for, pesticides, fumigants and vertebrate toxins. These amendments included changes to the regulations for toxic, corrosive and ecotoxic substances, and to personnel qualifications to implement the fit and proper person requirements for vertebrate toxins. Amendments were also made to regulations for compressed gases, tankwagons, fireworks, and to add large packages to the packaging regulations.

Other developments in this work area included:

- partnering with the Environmental Risk Management Authority and the Department of Labour to prepare proposals to improve compliance and enforcement for hazardous substances
- Hazardous Substances and New Organisms Risk Species (Strains of *Microctonus Aethiopoidea*) Regulations 2005 approved by Order in Council
- the amendment of the Hazardous Substances and New Organisms (Low-Risk Genetic Modification) Regulations 2003 to correct technical drafting errors (passed and came into effect in August 2005)
- partnering with the Environmental Risk Management Authority and the Ministry of Agriculture and Forestry to resolve impediments to trade due to interface problems between HSNO and the Biosecurity Act
- a policy paper being prepared recommending introduction of Infringement Notice Regulations
- meeting international obligations under the Montreal Protocol, Amended Ozone Layer Protection Regulations to assist compliance with Montreal obligations
- reviewing hazardous substances and new organisms applications for Ministerial call-in
- meeting reporting requirements and DNA responsibilities under Rotterdam Convention.

2.0 Working with local government to lead and participate in key environmental issues

This output contributes to the following medium term outcomes:

- A good environment that is managed through good governance and where natural resources such as air, water, soil and biodiversity are used sustainably.
- There is a coherent national picture of how the New Zealand environment is collectively managed and the delivery of services is seen to be efficient.
- The community is involved in action for the environment.
- New Zealand's environmental legislation is visibly effective and appropriate.
- Local government is a credible and efficient deliverer of environmental services.
- Our cities are healthy, safe and attractive places where business, social, and cultural life can flourish.

- New Zealand is moving towards a sustainable energy future, through increasing our use of renewable energy and making more efficient use of energy.
- The Ministry has the capability to deliver the advice and services the Government expects of it.

2.1 Improving the legislative framework

Provide input into cross-departmental policy development and ensure policy and legislation developed by central agencies does not conflict with RMA or HSNO

Achieved and ongoing. The Ministry was involved in cross-departmental environmental policy development by either leading, partnering or assisting projects, including (amongst others):

- joint lead with the Ministry of Foreign Affairs and Trade in preparing advice to government on ratification of the Cartagena Biosafety Protocol, including ensuring that domestic legislation was in place to allow compliance
- participation on official working groups and providing comment on Cabinet papers in respect of the Ministry of Agriculture and Forestry's walking access review and the relationship with access provisions in the RMA
- partnering the Inland Revenue Department in developing changes to tax deduction rules to better accommodate business expenditure on environmental management
- leading the preparation of a discussion document on Product Stewardship in consultation with Ministry of Economic Development. Cabinet approved its release for public consultation in June 2004
- working closely with the Ministry of Health on the review of the Public Health Act, in particular the interface with the RMA and the proposed national environmental standard for drinking-water sources
- providing technical information on planning law to Treasury to assist their review of the Overseas Investment Act
- providing comment on Land Information New Zealand's reviews of the Land Act and the Public Works Act, to ensure the policy and legislation did not conflict with provisions in the RMA, such as designation processes
- providing comment on the review of the East Coast Forestry project concerning implementation of the RMA in the region.

Survey 86 local authorities to monitor the effect and implementation of the Resource Management Act

Achieved and ongoing. A report was completed covering 2003/04 local authority resource consent processing. Two publications were released – the first was the main report covering all aspects of resource consent processing and the second was a brochure that covered the key facts. These reports provide guidance to decision makers on resource processing and provide local authorities with examples of good practice and benchmarking for performance improvement.

Build Resource Management Act capability of local government by sharing best practice and establishing a voluntary professional development scheme

Achieved. The first round of workshops on the professional development scheme for hearings panels (Making Good Decisions) was delivered by March 2005. Over 540 people completed the requirements and achieved certification.

The Ministry has delivered a series of three nationwide workshops on consent processing (November 2004), second generation plans (July 2005) and the Resource Management (Foreshore and Seabed) Amendment Act (February 2005).

The Quality Planning website, a primary tool in sharing best practice, was upgraded and 18 new guidance notes were added to the website.

The Everyday Guide to the RMA brochure series was launched. This is aimed at increasing public understanding of the RMA and its processes.

Assist the Clutha and Southland district councils to clarify and enforce their district plans in relation to the South Island Landless Natives Act (SILNA)

Ongoing. The Ministry continued to liaise with the Clutha and Southland district councils and assist them where possible to clarify and enforce their district plans in relation to the SILNA.

Assist Ministers with statutory functions under the Resource Management Act and answer RMA queries

Achieved. This included advice on two requiring authorities, call-in requests and royalties administration.

The Mohaka and Motueka Water Conservation Orders were approved. Resource Management Act investigations were undertaken, including reports on the use of limited notification, officers' reports and infringement notices.

Run at least two Chief Executives' Environment Forum (CEEF) meetings

Achieved. CEEF had three successful meetings in the 2004/05 financial year, with attendees agreeing that the forum has proven to be very useful and should aim to be held quarterly next financial year. Agenda items covered areas such as sustainable agriculture, biosecurity, transport, energy, and science funding.

2.2 Urban affairs

Develop a New Zealand Urban Design Protocol

Achieved. The New Zealand Urban Design Protocol was launched on 8 March 2005 by HRH the Prince of Wales and the Hon Marian Hobbs, Minister with Responsibility for Urban Affairs. The Protocol is a voluntary commitment to specific urban design initiatives by signatory organisations, which includes central and local government, the property sector, design professionals and other groups.

By the end of June 2005, the New Zealand Urban Design Protocol had a total of 93 signatories, including 18 local government councils and 17 central government agencies, as well as professional bodies, and private sector organisations.

Develop an Urban Affairs Statement of Strategic Priorities

Ongoing. A draft Urban Affairs Statement of Strategic Priorities has been developed, including a package of measures to improve integrated urban management in New Zealand. Consultation informing the development of the draft Statement has included a joint local/central government priority urban issues workshop, held on 18 April with over 60 representatives from local government, Local Government New Zealand, metro chief executives, regional council and central government.

2.3 Water

Identify preferred options for the allocation and use of water, managing the impacts of land use on water quality and managing water bodies that are nationally important

Achieved and ongoing. The Ministry led a cross-government team who developed a comprehensive discussion document on the current management of freshwater and potential directions for change, released in October 2004. An in-depth national consultation process with local government, Maori and stakeholders was conducted during February and March 2005. Five reports arising from public consultation on the sustainable Water Programme of Action were published in July 2005.

Work continued on gaps in our understanding of the current management framework identified by the public consultation process to develop robust and effective options for future freshwater management.

Support the initial stages of a programme led by Environment Waikato to reduce nitrogen inputs into Lake Taupo

Ongoing. We have worked constructively and effectively with our partners to initiate a programme to reduce nitrogen inputs into Lake Taupo. Environment Waikato has notified a variation to its regional plan which caps nitrogen emissions in the Lake Taupo catchment.

2.4 Environmental reporting

Continue to develop a national environmental reporting system to report on air quality, freshwater and waste

Air

Achieved and ongoing. *The Good Practice Guide for Air Quality Monitoring and Data Management 2000* was updated in December 2004. The Foundation for Research, Science and Technology (FoRST) programme, *Protecting New Zealand's Clean Air*, will provide technical input into a further completed update. The FoRST programme will be completed by June 2006.

A one year pilot reporting framework is being undertaken for reporting against the new national environmental standards. At the conclusion of one year, new information sharing protocols will be negotiated. Regional councils have yet to finalise how progress towards meeting the ambient fine particle (PM10) standard by September 2013 will be tracked.

A shortfall in regional council instrumentation was identified and a funding programme for over \$800,000 was coordinated to increase capacity to monitor and report against the new national environmental standards. The Ministry coordinated a co-location study in partnership with Environment Canterbury, Landcare Research and Watercare Services.

Water

Partially achieved and ongoing. Monitoring measures (parameters) for measuring freshwater quality (the impacts of diffuse pollution) were agreed in principle between the Ministry and the Freshwater Indicators Working Group. Uptake of monitoring will be agreed through information sharing agreements with regional councils and the National Institute of Water and Atmospheric Research Limited (NIWA).

Work to identify and agree on an appropriate monitoring framework for reporting freshwater quality nationally is ongoing. This includes monitoring and reporting methods for the collection of freshwater parameters, the analysis and interpretation of freshwater data and reporting of this data as information by river type, lake type or groundwater type (eg, aquifer). From work to date we know that existing monitoring sites do not provide sufficient data coverage for a national picture of freshwater quality (rivers, lakes and groundwater). River classification tools, such as the River Environment

Classification, are being used to report national river water quality. We are in the early stages of agreeing on methods for monitoring and reporting lake and ground water quality. Work is well underway to refine monitoring and reporting methods for the Dairying and Clean Streams Accord.

Some fundamental measures for reporting against the water programme of action have been identified (eg, water quality parameters for tracking diffuse pollution – see outputs above).

Complete the development of environmental indicators for streams and waterways that recognise Maori values

Partially achieved and ongoing. Two technical reports (unpublished) analysing the trial of the Cultural Health Index on different river types and with different iwi have been completed.

Initial scoping work was undertaken within the Ministry on the development of workshops to train stakeholders in the implementation of Maori environmental indicators. The Sustainable Management Fund has funded a Cultural Health Index iwi training project for the 2005/06 financial year.

The project aims to deliver six regional hui/field days around the country to train iwi members on how to design and implement Cultural Health Index monitoring programmes within their takiwā (region).

2.5 Addressing major environmental problems

Develop a package of national environmental standards, including for air quality, dioxin emissions, landfill gas emissions, contaminated site clean up, and drinking water sources

Achieved and ongoing. The national environmental standards for air quality and landfill gas were introduced in late 2004. In addition to this, the Ministry has a programme to assist local government to implement the air quality standards. To date this has included a grant of \$800,000 to assist local government purchase monitoring equipment, undertaking a number of amendments to the standards, a roadshow to each region and the production of a draft 'User's Guide'.

Work on the drinking-water standard has yet to be introduced following re-evaluation. There has been substantial stakeholder involvement in its development. Work on the proposals for standards for contaminated land is ongoing and scheduled for release in 2005/06.

Administer the Contaminated Site Remediation Fund, and develop guidelines for contaminated land management

Achieved and ongoing. The contaminated sites remediation fund has been effectively administered during the 2004/05 year. Two funding rounds were completed, with nine projects being approved (13 projects were approved in 2003/04).

Guidelines for the management of former sheep dip sites were drafted, as the sixth in an eight part series of guidelines for contaminated land management.

Implement programmes to control the wilding pines at Mid-Dome, Southland

Partially achieved and ongoing. The cross-departmental appropriation bid for control of wilding pines at Mid-Dome did not receive funding. However, ground-based control of wilding pines is underway. An aerial spraying campaign was delayed while expert evidence was gathered, to ensure the aerial spray is effective and minimises the risk of spray drift. Resource consent has been granted allowing aerial spraying campaigns to continue until 2010. The first of the remaining aerial spraying campaigns is scheduled for summer 2005/06, where 200 hectares will be sprayed.

Work with local government and industry to enable delivery of the New Zealand Waste Strategy targets

Partially achieved. Existing waste composition data collection was completed. Due to changes in the Ministry's structure there has been a delay in developing a monitoring and evaluation system for the *New Zealand Waste Strategy*. Work on integrating waste strategy and packaging accord monitoring has progressed well and the continuation of the waste composition survey work, including consideration of packaging waste, will be designed and implemented in 2005/06.

Dispose of collected agrichemicals from regional collections around New Zealand, and develop a model for a future industry-led collection and disposal scheme

Achieved. One hundred and five tonnes of agrichemicals have been collected and disposed of in conjunction with the Bay of Plenty, Northland, Hawke's Bay, Canterbury, Waikato, West Coast and Gisborne regional councils. Work is ongoing towards developing a long term disposal and collection system for regions largely clear of persistent organic pollutants.

Conduct ad-hoc investigations into forest sinks and river management issues as requested by the Minister

Achieved. A wide ranging review of flood risk management was agreed by Cabinet on August 2004. Following this, the Flood Risk Management Review work programme was agreed by Cabinet in March 2005 and funding for the review was approved in the May 2005 budget round. A report on the barriers to local government uptake of the Permanent Forest Sinks mechanism was produced.

Develop options for a national clean home heating programme by 30 April 2005

Achieved and ongoing. By September 2004, the Ministry had set up two advisory groups with representatives from local government and other key stakeholders. These groups were responsible for the commission and review of important research to inform the programme.

Progress reports covering the research commissioned, outputs to date and remaining work required were published by December 2004. The final reports of findings were completed by March 2005.

3.0 Working with industry

This output contributes to the following medium term outcomes:

- A good environment that is managed through good governance and where natural resources such as air, water, soil and biodiversity are used sustainably.
- New Zealand's environmental legislation is visibly effective and appropriate.
- Government and industry work together to achieve sustainable results.
- New Zealand industry competes, is profitable, and grows sustainably.

3.1 Coordinate access to government services and manage roadblock issues for industry

Provide advice and assistance to industry on request and investigate ways to reward sustainable business practice

Partially achieved. This project has had slow progress due to staff resourcing issues. However, there have been some significant contacts established within the finance sector with Insurance Australia Group and Westpac being the most significant. A pilot project is underway to develop private sector funding mechanisms to facilitate initiatives by businesses to improve energy efficiency and reduce greenhouse gas emissions. This may be extended to include other aspects of sustainable business behaviour.

3.2 Encourage other sectors to build sustainability into what they do

Coordinate the Ministry's role in the Dairying and Clean Streams Accord, including reporting on progress and developing guidelines and a reporting strategy

Partially achieved. A snapshot of progress on the first year of the Dairying and Clean Streams Accord, and culvert design guidelines were published in the 2004/05 year. The development of a long term monitoring and reporting strategy was delayed. A finalised strategy will be completed by October 2005.

Launch the New Zealand Packaging Accord and begin implementing the Central Government Sector Action Plan

Achieved and ongoing. Around 200 organisations signed up to the New Zealand Packaging Accord on 10 August 2004. All sectors, including central government have prepared initial progress reports for the 2004/05 year. A summary report will be published in late September 2005. Central government progress includes governance input, a study of packaging waste to landfill, joint work on glass recovery, and growth of the Govt³ programme, including adaptation to strengthen packaging considerations.

Continue to grow the uptake of the Govt³ programme across central government

Achieved. The Govt³ programme involved a total of 47 central government organisations by the end of June 2005, compared to 24 at the end of June 2004. Following a Cabinet report in March 2005, the programme is seeking a more formal commitment to Govt³ from the 35 public service departments and 12 other key partners. By the end of the year, 31 agencies had made a formal commitment to participate.

Work with industry to support the development of product stewardship schemes for particular waste products (eg, tyres, computers, cell phones, agricultural chemical containers) and encourage the beneficial use of some waste products such as compost and biosolids

Partially achieved. A discussion document assessing the options for extended producer responsibility policy in New Zealand was released in June 2005 (for consultation). Key issues surrounding the e-waste problem have been further investigated and various companies have collection systems in place, including collection systems for computers, mobile phones, fluorescent lights and whiteware.

Further progress includes:

- a number of voluntary extended producer responsibility schemes under development including farm plastics. The information gained from Tyre Track, a voluntary collection system, is helping inform recycling and reuse options for used tyres
- draft content on a national environmental standard for biosolids was drawn up by June 2005
- a pilot trial of a waste tracking system was carried out from April 2005 to June 2005.

Promote eco-efficiency in industry

Achieved and ongoing. The Ministry for the Environment has partnered with the Ministry of Tourism to expand the Northland Sustainable Tourism Project to five additional regions (Rotorua, Bay of Plenty, Nelson/Tasman, Wanaka and Southland/Fiordland).

The Ministry for the Environment's website has been updated to include a sustainable business web portal, *Simply Sustainable*, which provides a description on sustainable business practice, case studies and links to tools and resources. New Zealand Trade and Enterprise (NZTE) have a direct link to the web portal from their website and have promoted it through their web newsletter.

Sustainability principles have been embedded into NZTE's manual for start up businesses called *Planning for Success*. These additions were promoted at an Enterprise Agency Conference.

We have been building partnerships within NZTE to maximise the development of an environmental technology industry.

The Ministry has worked with the New Zealand screen industry to develop draft environmental guidelines for the New Zealand film industry. Next year these will be finalised and promoted by the industry to the industry.

The Ministry is working with several industry organisations to show-case business sustainability including the Sustainable Business Network, New Zealand Business Council for Sustainable Development, Plastics New Zealand, New Zealand Paperboard and Packaging Association, Recyclers Association of New Zealand and Retailers Association.

The Ministry provided funding to the North Shore Enviro-Mark to help 70 companies in Auckland develop an environmental management system and achieve specified environmental outcomes.

Raise awareness of the need for sustainability in product design

Not achieved. This project has had slow progress due to staff resourcing issues. However, positive contacts have been established with the design sector, including the Designers Institute of New Zealand, which has expressed an interest in partnering on future work and considering sustainability in their 2006 awards competition.

4.0 Other initiatives

This output contributes to the following medium term outcomes:

- A good environment that is managed through good governance and where natural resources such as air, water, soil and biodiversity are used sustainably.
- The community is involved in action for the environment.
- Local government is a credible and efficient deliverer of environmental services.
- New Zealand industry competes, is profitable, and grows sustainably.
- The Ministry has the capability to deliver the advice and services the Government expects of it.

4.1 Raising awareness and participation to enable the involvement of the whole community in the governance of the environment

Run a national Roadshow and publish feedback received from the public

Achieved. In November 2004 the Ministry undertook a national Roadshow covering 16 regions from Whangarei to Invercargill. We met with 1350 members of the community, iwi, local government and industry to receive input into our work and share progress on our major work programmes. Feedback was published on our website. Another Roadshow is planned for October 2005.

Run the Youth Environment Forum, Green Ribbon Awards and other public awareness and education activities

Achieved. The Ministry successfully raised awareness of environmental issues through a number of public awareness campaigns and activities.

In partnership with the Sir Peter Blake Trust, the Ministry held the second Youth Environment Forum (now known as the Sir Peter Blake Youth Environment Forum) during December 2004. During the forum 48 students (49 in 2003/04) and 16 adult regional representatives from around the country gathered in Wellington over five days for hands-on experience with practical environmental projects. The delegates experienced the complexities of environmental decision-making by focusing on specific issues and presented their findings to Environment Minister Marian Hobbs at Parliament on the final day of the forum.

The Green Ribbon Awards acknowledge and recognise the outstanding contributions of New Zealanders in protecting and enhancing the environment in which we live and work. Awards were presented to 11 individuals (12 in 2003/04), organisations and businesses in six categories by Environment Minister Marian Hobbs at a ceremony in the Grand Hall, Parliament, on 9 June 2005. The range and quality of the 2005 recipients illustrated the innovative action being taken around the country along with the recognition that good environmental management is important.

Liaise with local government and provide advice and information to other central government agencies on engagement with local government

Achieved and ongoing. The Ministry met all non-metro territorial authorities to discuss their views of the Ministry, ways we can work better together and other matters of local environmental interest. Other local authorities were consulted with during issue-based liaison visits and the Talk Environment Roadshow.

Information gathered from consultation with local authorities was used to inform a project to improve relationships with local government, and helped inform engagement under the Local Government Act. Key messages have influenced wider Ministry work programmes.

Liaison with other central government agencies has occurred through the Local Government Act. The Ministry connects with several agencies through whole of government meetings and regional stakeholder meetings to further the provision of assistance for community wellbeing.

4.2 Monitoring the Environmental Risk Management Authority

Monitor the performance of the Environmental Risk Management Authority against its purchase agreement agreed to with the Minister

Achieved and ongoing. The Ministry provided input into the development of the Environmental Risk Management Authority's (ERMA) key governance and accountability documents and the Minister was briefed on these. The Ministry completed the formal reappointment of members to the Authority and actioned the reclassification of the Authority under the Fees Framework. Work is ongoing towards amending the ERMA Methodology and promulgating the new regulation.

4.3 The provision of integrated advice and support to the Ministers and Government on environmental issues and correspondence

The Ministry for the Environment's Ministerial and Parliamentary Performance for 2004/05

	Ministerial Correspondence			Parliamentary Questions		
	Expected performance for 2004/05	Actual performance		Expected performance for 2004/05	Actual performance	
		2003/04	2004/05		2003/04	2004/05
Quantity	1200	1658	1163	200	233	176
Timeliness	Within 20 working days	82% were completed within 20 working days	96% were completed within 20 working days	Within five working days of being placed in the Notice Paper	92% of the answers were provided by the stipulated deadline	98% of the answers were provided by the stipulated deadline
Quality	95% of first drafts accepted by Ministers	96% of first drafts were accepted by Ministers	96% of first drafts were accepted by Ministers	95% of first drafts accepted by Ministers	100% of first drafts were accepted by Ministers	100% of first drafts were accepted by Ministers

4.4 Other programme initiatives

Contribute to policy for treaty settlements and coordinate the implementation of existing Treaty settlements by councils

Ongoing. The Te Arawa Lakes settlement was successfully completed and other claims continue to be progressed. We also continued to be involved in policy development related to the Foreshore and Seabed negotiations. Implementation work has continued with quarterly meetings with Ngai Tahu and successful meetings with Ngati Tama, Ngati Ruanui, Te Uri o Hau, and Ngati Turangitukua. We have met with a number of other groups at various stages of their settlement processes.

Identify land held by the Ministry, and negotiate terms of transfer of land with respective councils

Partially achieved. The Ministry has identified the Crown lands which it holds. Significant progress has been made towards developing a legal process that will enable the transfer of these lands to the appropriate regional councils. This includes an exemption from the Office of Treaty Settlements protection mechanism. The legal process is still to be approved and implemented.

Lead the negotiation of environmental provisions in international trade agreements and promote the Ministry's environmental and sustainability interests in international forums

Achieved and ongoing. Environment agreements have been negotiated with Thailand and Chile Singapore/Brunei, linked with closer economic partnership agreements with these countries. Negotiation of environment provisions is under way in association with Free Trade Agreement negotiations with China, Malaysia and ASEAN/Australia. Our objectives in these negotiations have been clarified through joint Ministry of Foreign Affairs and Trade (MFAT)/Ministry for the Environment/ Department of Labour papers to Ministers. We have provided advice to MFAT on the development of an environmental goods list for World Trade Organisation (WTO) consideration and attended one WTO Committee on Trade and Environment meeting.

The Ministry for the Environment led the OECD Environmental Performance Review, coordinating the provision of detailed background information and organising/hosting a visit of the review team. Briefing and support was provided as required for New Zealand representation in the Environment Committee and Sustainable Development Experts Group of the OECD and the Environment Protection and Heritage Council.

A draft National Implementation Plan and a draft report on the administration of the Stockholm Convention have been developed.

Vote Environment:

Output Class: Administration of the Sustainable Management Fund

This output class covers the purchase of policy advice on the allocation of funds to other parties, and the administration and management of Sustainable Management Fund contracts. This includes:

- provision of advice on the size of allocations and payments to approved providers in accordance with criteria in the Sustainable Management Fund (SMF) Guide for Applicants
- monitoring of contracts and expenditure, including completing technical audits
- encouraging community action for the environment through a greater funding emphasis on community-led initiatives and proactive partnerships between the community, iwi and local government.

Performance measures

Outputs in this class will be provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were intra vires and in accordance with principal statutes.

Resources employed

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Revenue:			
662	Crown	662	662	662
662	Total revenue	662	662	662
646	Total expenses	658	662	662
16	Net surplus	4	0	0

Service performance

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were intra vires and in accordance with principal statutes.

Review of output achievements

These outputs contribute to the following medium term outcome:

- The community is involved in action for the environment.

Provide funding to support 'action on the ground' community initiatives through the Sustainable Management fund

Achieved. In 2004/2005 the Sustainable Management Fund funded a total of 62 projects at a cost of \$4.068 million. The projects covered a wide range of community/council initiatives that will result in the restoration of streams, wetlands and forests, the reduction of waste, energy efficiencies and community level climate change prevention activities. Whilst funding is provided to specific groups, the activities generate interest amongst a much wider group of community members and stimulate positive behaviour change and a greater awareness of our environment.

Assist and encourage the establishment and maintenance of landcare and community based groups

Achieved. In partnership with the Landcare Trust the Ministry fosters links between research providers and research users and encourages participatory research and the exchange of technical and scientific information. Facilitation and training is provided to landcare groups to promote sustainable land management by developing information networks and providing support.

Vote Environment: Output Class: Bioethics Council

This output class provides for the effective operation of the Bioethics Council. This Council is a ministerial advisory committee. Its role is to:

- provide independent advice to government on biotechnological issues involving cultural, ethical and spiritual dimensions
- promote and participate in public dialogue on cultural, ethical and spiritual aspects of biotechnology, and enable public participation in the Council's activities.
- provide public information on the cultural, ethical and spiritual aspects of biotechnology.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were intra vires and in accordance with principal statutes.

Resources employed

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Revenue:			
1,333	Crown	1,333	1,333	1,333
0	Departmental	0	0	3
1,333	Total revenue	1,333	1,333	1,336
1,326	Total expenses	1,129	1,333	1,336
7	Net surplus	204	0	0

Review of output achievements

These outputs contribute to the following medium term outcomes:

- The community is involved in action for the environment.
- The Ministry has the capability to deliver the advice and services the Government expects of it.

Provide administrative and project management support, and research material and analysis to the Bioethics Council

Achieved. The Ministry performed the following in the 2004/05 year:

- published *Human Genes in other Organisms* report
- published *Bioethics Council at a Glance*
- published *Progress report – Bioethics Council Two years On*
- held 16 dialogue and hui events on the issue of xenotransplantation: human-to-animal transplantation
- significantly raised awareness of the cultural, ethical and spiritual aspects of xenotransplantation.

Provide advice to the Minister for the Environment on appointments to the Bioethics Council and review of the Bioethics Council

Achieved and ongoing. The Cabinet approvals process for the appointment of two new members to the Bioethics Council was completed. The Minister for the Environment was advised on nominations for one further Council member whose appointment was confirmed by Cabinet following consideration by the Cabinet Appointments and Honours Committee. The Minister was advised on the review of the Bioethics Council.

**Vote Environment:
Output Class: Resource Management (Waitaki Catchment)
Amendment Act**

Government has agreed to develop legislation to address competing water use applications in the Waitaki River Catchment, including additional information on a further option for decision-making processes. Within the Output Class the Ministry:

- provides a process to develop and confirm a framework for the allocation of water
- provides a framework covering significant applications for water use and application of lesser significance for water use
- establishes a statutory body that invites submissions, conducts a hearing, and makes decisions on an allocation framework for water use in the Catchment
- assists a panel of commissioners, which acts as a consent authority in making decisions on the significant applications for water use and other related consent applications and designations.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were *intra vires* and in accordance with principal statutes.

Resources employed

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Revenue:			
1,111	Crown	2,009	489	2,009
1,111	Total revenue	2,009	489	2,009
706	Total expenses	1,571	489	2,009
405	Net surplus	438	0	0

Review of output achievements

These outputs contribute to the following medium term outcome:

- A good environment that is managed through good governance and where natural resources such as air, water, soil and biodiversity are used sustainably.

Establish and support the Waitaki Catchment Water Allocation Board to develop and consult on a draft water allocation framework

Achieved. Legislation amending the Resource Management Act (in order to conduct the allocation plan process) was enacted on 9 September 2004.

The Waitaki Catchment Water Allocation Board was established and operational on 30 September 2004. A draft Water Allocation Plan for the Waitaki catchment was completed, published and publicly notified in February 2005. Public hearings to allow stakeholders to make submissions on the draft allocation plan began in Timaru in June 2005.

Vote Climate Change and Energy Efficiency: Output Class: Energy Efficiency and Conservation

This output class covers the monitoring of the Energy Efficiency and Conservation Authority. It also provides for research analysis and advice necessary to shape a sustainable and efficient energy future for New Zealand. It involves integrating environmental, economic, social and cultural aspects of policy development.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were intra vires and in accordance with principal statutes.

Resources employed

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Revenue:			
216	Crown	216	216	216
216	Total revenue	216	216	216
206	Total expenses	211	216	216
10	Net surplus	5	0	0

Service performance

The 2004/05 Estimates contain one output in Output Class: Policy Advice: Energy Efficiency and Conservation.

Review of output achievements

These outputs contribute to the following medium term outcome:

- The Ministry has the capability to deliver the advice and services the Government expects of it.

Monitor the performance of the Energy Efficiency and Conservation Authority against its purchase agreement agreed to with the Minister

Achieved. The Ministry provided input into the development of the Energy Efficiency and Conservation Authority's (EECA) key governance and accountability documents and the Minister was briefed on these. A reclassification of EECA under the Fees Framework was completed. Following a public call for nominations, the Ministry provided advice to the Minister of Energy on nominations received for membership of the EECA and confirmed proposed appointments with the Minister, in preparation for consideration by the Cabinet Appointments and Honours Committee.

Vote Climate Change and Energy Efficiency: Output Class: Policy Advice – Climate Change

This output class covers policy advice from the Ministry for the Environment on climate change issues.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were intra vires and in accordance with principal statutes.

Resources employed

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Revenue:			
7,124	Crown	8,309	8,159	8,309
0	Departmental	0	0	27
7,124	Total revenue	8,309	8,159	8,336
7,107	Total expenses	8,111	8,159	8,336
17	Net surplus	198	0	0

Service performance

The 2004/05 Estimates contain one output in Output Class: Policy Advice – Climate Change.

Review of output achievements

These outputs contribute to the following medium term outcomes:

- New Zealand makes significant greenhouse gas reductions to enable it to make a transition to a low carbon future.
- New Zealand manages its international climate change commitments at least in the first commitment period which enables a smooth transition to a lower carbon future.
- New Zealand manages the risks, opportunities and impacts arising from the effects of climate change and ensures adaptation as smoothly as possible.

1. Develop cost effective abatement measures which preserve the competitiveness of New Zealand business

Manage the second tender round of projects to reduce emissions (PRE)

Achieved. Six million emission units were awarded to 25 successful tenderers at an average request ratio of 0.84. The majority of project agreements concluded by 30 June 2005 and the programme has achieved a cumulative allocation of 10.8 million emission units awarded for 11.9 million tonnes of emission reductions. Achieved management of portfolio of 40 projects, including making amendments to project agreements.

Continued actions in support of emissions trading by projects to reduce emissions firms as international markets develop.

Develop policy measures to nurture business opportunities for new and existing activities that reduce, or contribute to the reduction of greenhouse gas emissions

A Designated National Authority (DNA) on the Clean Development Mechanism has been appointed. In addition, outreach focused on sectoral opportunities for the carbon market has been initiated. It is anticipated that this initiative will broaden the scope of New Zealand stakeholders' understanding of the growing carbon market.

2. Develop and implement policies aimed at the emissions of major stakeholders in climate change including agriculture, forestry, small and medium enterprises and industry, local government, synthetic gas users and transport

Develop policy measures to assist small to medium enterprises (SMEs) to reduce greenhouse gas emissions and to adjust to the carbon charge

Achieved. Policy to assist small to medium enterprises to reduce greenhouse gas emissions and to adjust the carbon charge was agreed by Ministers in April 2005. Funding to implement a pilot version of the policy measures was made available in the 2005–06 Budget. The Ministry has worked with the Energy Efficiency and Conservation Authority to implement the pilot scheme as of 1 July 2005.

Complete an estimated six negotiated greenhouse agreements (NGAs) and make decisions on eligibility applications

Partially achieved. An NGA Process Review was completed that indicated a range of changes that could be made to streamline the production of NGAs. The bulk of these changes were in effect by 30 June 2005. NGA production at that time stood at:

- one NGA completed in February 2005
- two NGAs substantially progressed by 30 June 2005
- nine organisations assessed as eligible to negotiate for an NGA
- 13 organisations (including two collectives) being assessed for eligibility as at 30 June 2005.

Progress policy and the legislation required for introduction of a carbon charge and revenue recycling

A consultation paper, *Implementing the Carbon Tax*, was jointly prepared by the Ministry and the Inland Revenue Department. The consultation paper was published by the Inland Revenue Department on 4 May 2005. Over 90 submissions were received and are being analysed. Issues arising that are relevant to climate change policy are being reviewed by Ministry staff.

Drafting instructions are being prepared by the Inland Revenue Department that relate to the carbon tax and to negotiated greenhouse agreements. The Ministry is assisting with these instructions.

The Ministry prepared analysis on the impacts of the carbon charge and estimates of the quantity of expected emissions charge revenue and negotiated greenhouse agreement rebates. This information was used when Ministers made announcements about the carbon tax consultation paper on 4 May 2005 and the budget on 19 May 2005.

Facilitate local government to work towards reducing greenhouse gas emissions via the 'Communities for Climate Protection' (CCP) work programme

Achieved and ongoing. Since the 28 July 2004 launch of the CCP-NZ programme, 15 councils have demonstrated accelerated leadership in taking action on climate change. Participating councils now represent 45% of the total New Zealand population. This is believed to be the fastest uptake of the CCP programme anywhere in the world. Councils are now well on their way to moving through the programme stages. Information, case studies and website communications are in place to assist CCP-NZ councils and their communities. Public events to recognise greenhouse gas reductions by CCP-NZ councils have been successfully hosted. Implementation of the CCP-NZ programme is regularly monitored through the governance body mechanism.

Contribute to transport policy consistent with the New Zealand Transport Strategy, New Zealand climate change policy and the National Energy Efficiency and Conservation Strategy

Ongoing. The Ministry has contributed to cross-government work programmes including production of the Sustainable Energy discussion document and associated workshops, biofuels policy, and government practice around vehicle purchase.

Develop policy options for controlling synthetic greenhouse gases

Ongoing. A discussion paper was released in October 2004 and attracted 21 submissions. The work area was put on hold due to staff changes and other priorities. We have formulated a range of options and will brief the Minister later this year.

3. Develop adaptation materials and information for key sectors

Work towards managing the impacts of climate change and towards ensuring New Zealand's adaptation

Partially achieved and ongoing. Funding assistance was provided to develop an agriculture-sector based adaptation information kit. Two reports were commissioned on the impacts of climate change in New Zealand: changes in drought risk with climate change (published); and a methodology to assess changes in flood risk (close to publication). An international workshop on national adaptation strategies for OECD countries was held. Research on the economic impacts of extreme climate events and work on the impacts of climate change for key economic sectors and decision-making guidance is yet to begin due to resourcing constraints. The Ministry initiated interaction with professional bodies and continued links with other departments, supported the integration of climate change into the flood risk review, and initiated contact with the insurance industry. The Ministry also held a series of presentations for stakeholders on climate change impacts assessment and adaptation options.

Develop partnerships with agriculture and forestry to reduce greenhouse gas emissions and encourage adaptation to climate change

Achieved and ongoing. The Pastoral Greenhouse Gas Research Consortium (PGGRC) has reported on its previous year's research programme. It has identified where research effort should be placed in coming years. The Ministry has worked with stakeholders to increase the understanding of climate change issues in the agriculture sector. The Ministry continues to work with industry to develop partnership arrangements to encourage uptake of technologies to reduce greenhouse gas emissions. This is dependent on the outcomes of research through the PGGRC. The Climate Change Response Amendment Bill has been reported back to Parliament and awaits its further Parliamentary stages. This Bill includes the legislative framework for the permanent forest sinks mechanism.

The Ministry has worked with stakeholders and other departments to ensure biodiversity and other environmental benefits and opportunities arising from the permanent sinks mechanism are optimised. The scheme's wider environmental benefits are now recognised. Work on measures to enhance forest sinks will feed into the review of climate change policy. The issue of forestry joint ventures on Maori land has been put on hold pending the outcome of the climate change policy review. Funding for bio-energy projects for the Energy Efficiency and Conservation Authority was achieved through the Forest Industry Development Agenda.

4. Represent New Zealand at multilateral and bilateral forums

Ensure New Zealand's interests are well articulated in appropriate multilateral and bilateral meetings on climate change

Achieved and ongoing. The Ministry participated in multilateral processes (United Nations Framework Convention on Climate Change and Intergovernmental Panel on Climate Change), and monitoring of international developments that affect the Kyoto Protocol and future action. Bilateral partnerships with Australia and the United States continue.

5. Implement a public awareness and education campaign to keep New Zealanders well informed about climate change science and impacts and greenhouse gases

Develop and disseminate information on climate change effects, best practice guidance, and case studies for local government

Achieved and ongoing. A toolbox of hard copy and electronic information, case studies and best practice resources was developed and disseminated to local government. Workshops were delivered and a Quality Planning guidance note developed to advise councils on the application of the Resource Management (Energy and Climate Change) Amendment Act as it relates to the 'effects of climate change'. Both the workshops and the guidance note used case studies to illustrate council integration of climate change effects in planning and decision-making integrated.

Run the '4 million careful owner's campaign

Phase two of the '4 million careful owners' campaign was launched very successfully in November 2004 with a Wellington central train station event. Thousands of commuters entering the city were applauded by Minister Hodgson, Mayor Kerry Prendergast and about 80 public servants, for taking public transport rather than driving into the city. Flyers were given out explaining the link between public transport and helping to address climate change by reducing greenhouse gas emissions. At the same time, two half tonne blocks of ice symbolising melting polar ice caps due to global warming were placed in Auckland's Aotea Square, and Manners Mall in Wellington.

Following the launch, campaign messages were driven out to the public via the revamped campaign website, www.4million.org.nz. The campaign included nationwide advertising through various media channels and the distribution of positive media stories around the country. In addition, a climate change education unit for teachers was developed and distributed to nearly 3000 primary schools around the country, and a 'School Stuff' section was added to the website.

An important element of the campaign was the establishment of an Industry Reference Group which acted as a sounding board to provide input and feedback on climate change communication initiatives for the campaign, and was essential to establish what was practical and possible to voluntarily reduce emissions in respective sectors.

6. Ensure New Zealand's response to climate change takes account of latest information on relevant science and technology

Coordinate New Zealand's involvement in scientific and technological work on climate change

Partially achieved and ongoing. A report to the Minister on research investment was delayed until the second half of 2005. New Zealand scientists are involved as authors and reviewers in a range of Intergovernmental Panel on Climate Change (IPCC) reports, and government officials participated in reviews and formal approvals of reports and negotiated the IPCC's ongoing work programme. The Ministry successfully hosted a side-event at COP10 on the Global Climate Observing System and its implementation in the Pacific, in partnership with the US and Australia. We provided advice to the Government on New Zealand's participation in the International Partnership for the Hydrogen Economy, and the Carbon Sequestrations Leadership Forum.

7. Coordinate the preparation of New Zealand's annual greenhouse gas inventory

Ensure New Zealand meets its reporting obligations under the United Nations Framework Convention on Climate Change (UNFCCC)

Achieved and ongoing. The National Inventory Report was submitted to the UNFCCC secretariat on 15 April 2005. The process for preparing the 2006 submission is in progress. An updated projections report of New Zealand's emissions and removals of greenhouse gases was produced on 15 May 2005.

The inventory chapter of New Zealand's fourth national communication under the United Nations Framework Convention on Climate Change (submission date 1 January 2006) was developed.

Vote Climate Change and Energy Efficiency: Output Class: Carbon Monitoring Programme

This output class involves the implementation of the New Zealand Carbon Monitoring Programme to ensure our land use, land use change and forestry data in our greenhouse gas inventory and entering the carbon accounting system is robust, meets international requirements and underpins the economic return on sink credits.

Performance measures

Outputs in this class were provided within the appropriated sum and within the timeframes as specified in the Estimates (unless otherwise stated). Performance measures were specified for each output as appropriate.

Drafting instructions were completed subject to timeframes set in the Government's Legislative Programme.

All outputs were delivered to the Ministers' specifications. Orders in Council and regulations were intra vires and in accordance with principal statutes.

Resources employed

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Revenue:			
3,400	Crown	2,900	2,900	2,900
3,400	Total revenue	2,900	2,900	2,900
3,244	Total expenses	2,889	2,900	2,900
156	Net surplus	11	0	0

Service performance

The 2004/05 Estimates contain one output in output class: Policy Advice: Carbon Monitoring Programme.

Review of output achievements

This output contributes to the following medium term outcome:

- New Zealand manages its international climate change commitments at least in the first commitment period which enables a smooth transition to a lower carbon future.

Continue to develop and implement New Zealand's carbon monitoring/accounting system

Ongoing. A Stage 2 Project Plan and Business Case has been prepared, as a requirement for funding the further development of the New Zealand Carbon Accounting System and its operational implementation through to 2013/14. The Project Plan provides a framework for decision-making and review as the project proceeds. This plan has been endorsed by Treasury.

3 Financial Statements for the Ministry for the Environment

Performance Indicators for the Year Ended 30 June 2005

	Unit	Actual 30/06/2005	Supplementary estimates 30/06/2005
Operating results			
Revenue: Crown	\$000	39,830	39,830
Revenue: departments and other	\$000	230	223
Output expenses	\$000	39,097	40,053
Gain on sale of assets	\$000	12	5
Net surplus	\$000	975	5
Working capital			
Net current assets	\$000	502	492
Current ratio	Ratio	1.05	1.18
Resource utilisation			
Fixed assets			
Total fixed assets at year-end	\$000	2,003	2,001
Value per employee	\$000	8.3	8.4
Additions as % of fixed assets	%	88.0	89.1
Fixed assets as % of total assets	%	16.9	38.8
Taxpayers' funds			
Level at year-end	\$000	1,843	1,843
Level per employee	\$000	7.6	7.7
Net cash flows			
Surplus/(deficit) from operating activities	\$000	635	(3,152)
Surplus/(deficit) from investing activities	\$000	(1,199)	(1,778)
Surplus/(deficit) from financing activities	\$000	779	779
Net increase/(decrease) in cash held	\$000	215	(4,151)
Human resources			
Staff turnover	%	15.4	12.0
Average length of service	Years	4.0	4.6
Total staff	No.	242	239

Statement of Financial Performance for the Year Ended 30 June 2005

Actual		Notes	Actual	Main estimates	Supplementary estimates
30/06/2004			30/06/2005	30/06/2005	30/06/2005
\$000			\$000	\$000	\$000
Revenue					
38,088	Crown		39,830	36,916	39,830
211	Other	1	242	10	228
38,299	Total revenue		40,072	36,926	40,058
Expenditure					
15,184	Personnel	2	16,568	16,100	17,223
21,944	Operating	3	22,175	20,294	22,451
421	Depreciation	4	327	500	352
29	Capital charge	5	27	27	27
37,578	Total expenses		39,097	36,921	40,053
721	Net surplus from operations		975	5	5

Statement of Financial Position as at 30 June 2005

Actual		Notes	Actual	Main estimates	Supplementary estimates
30/06/2004			30/06/2005	30/06/2005	30/06/2005
\$000			\$000	\$000	\$000
343	Taxpayers' funds		1,843	343	1,843
343	Total taxpayers' funds		1,843	343	1,843
Represented by:					
Current assets					
7,208	Bank		7,423	3,656	3,057
110	Pre-payments		59	45	100
299	Debtors and receivables	6	2,329	0	0
7,617	Total current assets		9,811	3,701	3,157
Non-current assets					
570	Fixed assets	7	503	562	2,001
0	Work in progress	7	1,500	0	0
8,187	Total assets		11,814	4,263	5,158
Current liabilities					
5,937	Creditors and payables	8	7,571	2,865	2,010
655	Employee entitlements	9	763	450	650
721	Provision for repayment of surplus to the Crown		975	5	5
7,313	Total current liabilities		9,309	3,320	2,665
Non-current liabilities					
531	Employee entitlements	9	662	600	650
7,844	Total liabilities		9,971	3,920	3,315
343	Net assets		1,843	343	1,843

Statement of Movements in Taxpayers' Funds for the Year Ended 30 June 2005

Actual 30/06/2004 \$000	Note	Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
343		343	343	343
721		975	5	5
721		975	5	5
		1,500	0	1,500
(721)		(975)	(5)	(5)
343		1,843	343	1,843

Statement of Cash Flows for the Year Ended 30 June 2005

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Cash flows from operating activities			
	Cash provided from:			
38,088	Supply of outputs to Crown	39,830	36,916	39,830
(83)	Supply of outputs to departments	400	0	495
2	Supply of outputs to others	12	5	27
	Cash disbursed to:			
(14,942)	Personnel expenses	(16,414)	(16,100)	(17,353)
(19,498)	Operating expenses	(20,954)	(20,229)	(26,124)
(770)	Net GST	(2,212)	0	0
(29)	Capital charge	(27)	(27)	(27)
2,768	Net cash flows from operating activities	635	565	(3,152)
	Cash flows from investing activities			
	Cash provided from:			
21	Sale of fixed assets	12	15	5
	Cash disbursed to:			
(296)	Purchase of fixed assets	(1,211)	(400)	(1,783)
(275)	Net cash flows from investing activities	(1,199)	(385)	(1,778)
	Cash flows from financing activities			
	Cash provided from:			
0	Capital contributions	1,500	0	1,500
	Cash disbursed to:			
(3,079)	Repayment of surplus to Crown	(721)	(5)	(721)
(3,079)	Net cash flows from financing activities	779	(5)	779
(586)	Net increase/(decrease) in cash held	215	175	(4,151)
7,794	Opening cash balance at 1 July	7,208	3,481	7,208
7,208	Closing cash and deposits as at 30 June	7,423	3,656	3,057

Reconciliation of Net Operating Surplus to Net Cash Flow From Operating Activities for the Year Ended 30 June 2005

Actual		Actual
30/06/2004 \$000		30/06/2005 \$000
721	Net surplus from operations	975
	Add non-cash items	
421	Depreciation	327
	Add non-cash provision	
148	Increase/(decrease) in provisions for employee entitlements	239
	Add/(less) movements in working capital items	
(62)	Decrease/(increase) in pre-payments	51
(283)	Decrease/(increase) in debtors and receivables	(2,030)
1,808	Increase/(decrease) in creditors and payables	1,082
	Add/(less) investing activity	
15	Net loss/(gain) on sale of fixed assets	(9)
2,768	Net cash flow from operating activities	635

Statement of Commitments as at 30 June 2005

The amounts disclosed below include amounts for both accommodation and operating leases in Wellington, Christchurch and Auckland.

Operating commitments include lease payments for premises, telephone contracts and maintenance contracts for its computer systems. All commitments are disclosed at current rental rates.

	30/06/2005 \$000	30/06/2004 \$000
Operating and accommodation lease commitments (GST exclusive)		
Not later than one year	7,387	1,806
Later than one year but not later than two years	2,919	1,992
Later than two years but not later than five years	6,353	3,743
Later than five years	6,060	9,007
Total operating and lease commitments	22,719	16,548
Capital commitments	0	0
Total commitments	22,719	16,548

Statement of Contingencies as at 30 June 2005

There were no contingent liabilities as at 30 June 2005. (2004: Nil)

Statement of Unappropriated Expenditure for the Year Ended 30 June 2005

Departmental appropriations

Departmental output classes were produced within appropriation (30 June 2004: no unappropriated expenditure).

Non-departmental appropriations

The Ministry has incurred unappropriated expenditure during the year of \$309,843,000 (2003/04: no unappropriated expenditure). This is shown below:

Actual 30/06/2004 \$000		Actual 30/6/2005 \$000	Appropriation 30/6/2005 \$000	Unappropriated expenditure 30/06/2005 \$000
Vote Climate Change and Energy Efficiency				
Other Expenses				
0	Kyoto Protocol liability	309,843	0	309,843
0		309,843	0	309,843

The unappropriated expenditure during 2004/05 relates to the recognition of New Zealand's Kyoto Protocol liability. This was not included in the Supplementary Estimates because of the timing around finalisation of the revised net emissions position, which provide the quantity estimate for calculation of the liability.

A full explanation of this Provision is included in Note 1 on page 54.

This unappropriated expenditure has been notified to the Minister of Finance through the ministerial certification process in terms of the Public Finance Act 1989 and will be included in legislation to validate this unappropriated expenditure.

Statement of Departmental Expenditure and Appropriations for the Year Ended 30 June 2005

(Figures are GST inclusive where applicable)

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Appropriation* 30/06/2005 \$000
Vote: Environment			
Appropriations for classes of outputs			
27,398	Environmental Policy Advice	27,607	27,668
729	Administration of Sustainable Management Fund	741	745
1,493	Bioethics Council	1,296	1,503
845	Waitaki Decision-Making Body	1,822	2,260
30,465	Total	31,466	32,176
Vote: Climate Change and Energy Efficiency			
Appropriation for departmental output class			
233	Policy Advice – Energy Efficiency and Conservation	238	243
7,998	Policy Advice – Climate Change	9,150	9,378
3,669	Carbon Monitoring Programme	3,252	3,262
11,900	Total	12,640	12,883

* This includes adjustments made in the supplementary estimates and transfers under the Public Finance Act 1989.

Statement of Non-Departmental Expenditure and Appropriations for the Year Ended 30 June 2005

(Figures are GST inclusive where applicable)

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Appropriation* 30/06/2005 \$000
Vote: Environment			
Appropriations for non-departmental output classes			
5,000	Clean up of orphan Crown contaminated sites	2,000	2,000
4,088	Development and implementation of sustainable management	3,359	4,324
11,617	Hazardous substances and new organisms assessment and management	13,200	13,200
2,500	Residual Catchment works	0	0
450	Sustainable land management: promotion and training	450	450
23,655	Subtotal	19,009	19,974
Appropriations for other expenses to be incurred by the Crown			
12,099	Loss on Disposal – Crown Land	0	0
20	Montreal Protocol on Ozone Protection	20	20
14	Subscription to Basel Convention	14	14
235	United Nations Environment Programme	336	336
1,546	Legal and Environment Centre Grants	1,376	1,550
0	International Subscriptions	38	38
1,800	The Sir Peter Blake Memorial Trust	0	0
15,714	Subtotal	1,784	1,958
39,369	Total for Vote: Environment	20,793	21,932
Vote: Climate Change and Energy Efficiency			
Appropriations for non-departmental output classes			
12,126	Energy Efficiency and Conservation Authority	12,445	12,445
12,126	Subtotal	12,445	12,445
Appropriations for other expenses to be incurred by the Crown			
2,478	Energy efficiency and renewable energy grants and assistance	4,261	6,000
102	Framework Convention on Climate Change	102	102
0	Kyoto Protocol Liability	309,843	0
2,580	Subtotal	314,206	6,102
Capital investment in organisations other than departments			
1,652	Crown Energy Efficiency	2,000	2000
1,652	Subtotal	2,000	2000
16,358	Total for Vote: Climate Change and Energy Efficiency	328,651	20,547

* This includes adjustments made in the Supplementary Estimates and transfers under the Public Finance Act.

Statement of Accounting Policies for the Year ended 30 June 2005

Reporting entity

The Ministry for the Environment is a Government department as defined in the Public Finance Act 1989.

These are the financial statements of the Ministry for the Environment prepared pursuant to the Public Finance Act 1989.

In addition, the Ministry has reported the Crown activities it administered.

Measurement system

The financial statements have been prepared on the basis of historical cost.

Accounting policies

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied.

(i) Budget and appropriation figures

The Budget and appropriation figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates and any transfer made by Order in Council under the Public Finance Act 1989 (Supplementary Estimates).

(ii) Revenue

The Ministry derived revenue through the provision of outputs to the Crown and for services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

(iii) Cost allocation

The Ministry derived the costs of outputs using a cost allocation system, which is outlined below.

Cost allocation policy

Direct costs are charged directly to the Ministry's outputs. Indirect costs are charged to outputs based on a primary cost driver of salaried full time equivalents. There were no material changes to the cost allocation model during the 2004/05 year.

Criteria for direct and indirect costs

'Direct costs' are those costs directly attributed to an output. 'Indirect costs' are those costs that cannot be directly associated with a specific output.

Direct costs assigned to outputs

All direct operating costs are charged directly to outputs. Direct personnel costs are charged on the basis of the full time equivalents that are directly attributable to an output. For the year ended 30 June 2005, direct costs accounted for 69% of the Ministry's costs (2004: 71%).

Indirect costs assigned to outputs

All indirect costs are assigned to outputs on a percentage basis calculated on the number of full time equivalents per output. For the year ended 30 June 2005, indirect costs accounted for 31% of the Ministry's costs (2004: 29%).

(iv) Debtors and receivables

Debtors and receivables are recorded at estimated realisable value, after providing for doubtful debts.

(v) Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

(vi) Plant and equipment

All fixed assets are recorded at cost less accumulated depreciation. Fixed assets are recognised as individual items costing \$1,500 (GST exclusive) or more, which have a useful life greater than one year.

(vii) Depreciation

Depreciation of fixed assets is calculated on a straight-line basis so as to allocate the cost of the assets, over their useful lives.

The estimated useful lives of the assets are:

	Depreciation rate (%)	Useful life (years)
Furniture and fittings	20	5
Motor vehicles	25	4
Office equipment	20	5
Computer software	33	3
Computer hardware	33	3

The cost of leasehold improvements (included in furniture and fittings) is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. Items classified as furniture and fittings but not deemed to be part of leasehold improvements are depreciated over their useful lives.

Losses and gains on disposal of fixed assets are taken into account in determining the operating result for the year.

(viii) Employee entitlements

Provision is made in respect of the Ministry's liability for annual leave, long service leave and retirement leave. Annual leave has been calculated on an actual entitlement basis at current values of pay. All annual leave is expected to be settled within 12 months of the reporting date.

Long service leave and retirement leave have been calculated on an actuarial basis, based on the present value of expected future entitlements. These have been provided for as long term liabilities on the statement of financial position.

(ix) Statement of cash flows

Cash means cash balances on hand and cash held in bank accounts.

Operating activities include cash received from all income sources of the Ministry and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

(x) Financial instruments

The Ministry for the Environment is party to financial instrument arrangements as part of its normal operations. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses relating to financial instruments are recognised in the Statement of Financial Performance. The Ministry for the Environment has not entered into any off-balance sheet transactions.

The following methods and assumptions were used to value each class of financial instrument:

- accounts receivable are recorded at expected realisable value
- all other financial instruments including cash and bank and accounts payable are recognised at their estimated fair value.

(xi) Goods and Services Tax (GST)

All statements are GST exclusive, except where otherwise stated. Creditors and Payables and Debtors and Receivables in the Statement of Financial Position are stated inclusive of GST. The GST payable or receivable at balance date is included in creditors and payables or debtors and receivables.

(xii) Taxation

The Ministry is exempt from income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

(xiii) Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments at the point a contractual obligation arises, to the extent that they are equally unperformed obligations.

(xiv) Contingencies

Contingent liabilities and contingent assets are disclosed at the point at which the contingency is evident.

(xv) Taxpayers' funds

Taxpayers' funds is the Crown's net investment in the Ministry.

(xvi) Changes in accounting policies

There have been no changes in accounting policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with other years.

Notes to the Financial Statements for the Year Ended 30 June 2005

1. Other revenue

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
200	Departmental	206	0	196
0	Other	24	5	27
11	Gain on sale of fixed assets	12	5	5
211	Total other revenue	242	10	228

2. Personnel costs

Personnel costs include expenditure and provisions for salaries, wages, annual leave, retirement and long service leave.

3. Operating expenses

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
4,542	General and administration	4,141	2,337	4,138
2,397	Other operating costs	3,026	3,919	2,701
2,590	Rental and leasing	1,495	1,660	1,509
12,325	Consultancy	13,421	12,324	14,061
43	Audit fees for financial statements	88	26	38
21	Other services provided by Audit NZ	1	28	4
26	Loss on sale of fixed assets	3	0	0
21,944	Total operating expenditure	22,175	20,294	22,451

4. Depreciation

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
120	Furniture and fittings	17	198	34
31	Office equipment	25	25	27
17	Computer software	18	18	19
253	Computer hardware	267	259	272
421	Total depreciation charge	327	500	352

5. Capital charge

The Ministry pays a capital charge to the Crown on its average Taxpayers' Funds as at 31 December and 30 June each year. The capital charge rate for the year ended 30 June 2005 was 8% (2004: 8.5%).

6. Debtors and receivables

	Actual 30/06/2005 \$000	Actual 30/06/2004 \$000
Trade debtors	117	299
Less provision for doubtful debts	0	0
GST receivable	2,212	0
Total debtors and receivables	2,329	299

7. Fixed assets

	Cost 30/06/2005 \$000	Accumulated depreciation 30/06/2005 \$000	Net book value 30/06/2005 \$000	Cost 30/06/2004 \$000	Accumulated depreciation 30/06/2004 \$000	Net book value 30/06/2004 \$000
Furniture and fittings	83	55	28	82	38	44
Office equipment	321	263	58	318	238	80
Computer software	64	40	24	64	22	42
Computer hardware	1,091	698	393	1,058	654	404
Total fixed assets	1,559	1,056	503	1,522	952	570

Work in Progress as at 30 June 2005 is for the Environment House fit-out.

8. Creditors and payables

	Actual 30/06/2005 \$000	Actual 30/06/2004 \$000
Trade creditors	3,179	1,695
Accruals	3,840	4,242
Fixed asset payable	552	0
Total creditors and payables	7,571	5,937

9. Employee entitlements

	Actual 30/06/2005 \$000	Actual 30/06/2004 \$000
Current employee entitlements		
Annual leave	763	655
Total current employee entitlements	763	655
Non-current employee entitlements		
Retirement, long service leave and retention/refresher leave	662	531
Total non-current employee entitlements	662	531
Total employee entitlements	1,425	1,186

The Retirement and Long Service Leave were valued by Aon Consulting as at 30 June 2005. The major assumptions used in the actuarial valuation were:

- a discount rate has been used in this valuation by finding the weighted averages of returns on government stock of different terms as at 30 June 2005. The rates used in the valuation range from 5.68% to 6.13% depending on the term of the liability for each employee.
- a long term annual rate of salary growth of 3% per year. A promotional salary scale that has been derived from the experience of New Zealand superannuation schemes has been adopted.

10. Provision for repayment of surplus to the Crown

The balance in the provision for repayment of surplus to the Crown for the current year is the gain on sale of fixed assets and surplus from operations.

11. Financial instruments

The Ministry is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable and accounts payable.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. In the normal course of business, the Ministry incurs credit risk from accounts receivable and transactions with financial institutions.

The Ministry does not require collateral or other security to support financial instruments with credit risk, as the Ministry deals with financial institutions which have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

Fair value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Currency and interest rate risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates. The Ministry has no significant exposure to currency risk on its financial instruments.

Interest rate risk is the risk that the Ministry's return on the funds it has invested will fluctuate due to changes in market interest rates. Under the Public Finance Act the Ministry cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, there is no interest rate exposure on funds borrowed.

The Ministry has no significant exposure to interest rate risk on its financial instruments.

12. Contingencies

The Ministry does not have any contingent assets as at 30 June 2005 (2004: nil).

Contingent liabilities are disclosed separately in the Statement of Contingencies.

13. Major budget variations

The Ministry had very few significant variances. Listed below are the major variances measured against the Main Estimates.

(i) Statement of financial performance

	Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Variance \$000
Other operating costs	3,026	3,919	(893)
Consultancy	13,421	12,324	1,097

Other operating costs is lower than Budget as less was spent in this area. Consultancy is higher than budgeted as a result of more work undertaken in work programmes during the year.

(ii) Statement of financial position

	Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Variance \$000
Bank	7,423	3,656	3,767
Creditors and payables	7,521	2,865	4,656

The Ministry had a higher bank balance (than budgeted) due to suppliers/providers not providing invoices before the month end cut off. Many invoices as a result had to be accrued, hence the higher bank balance and creditors and payables.

14. Subsequent events

No significant events, which would materially affect the financial statements, occurred between 30 June 2005 and the date of signing the financial statements (2004: nil).

15. Related party transactions

The Ministry is a wholly owned entity of the Crown. The Government significantly influences the roles of the Ministry as well as being its major source of revenue.

The Ministry enters into numerous transactions with government departments, Crown agencies and State-owned enterprises. These transactions are not considered to be related party transactions.

Apart from those transactions described above, the Ministry has not entered into any related party transactions.

4 Non-Departmental Schedules

The following non-departmental statements and schedules record the expenses, revenue and receipts, assets and liabilities that the Ministry manages on behalf of the Crown. The Ministry for the Environment administered approximately \$329 million of non-departmental payments, \$3 million of non-departmental revenue and receipts, \$29 million of assets, and \$320 million of liabilities on behalf of the Crown for the year ended 30 June 2005.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2004/05.

Statement of Accounting Policies

Measurement and recognition rules applied in the preparation of these non-departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

Land holdings

With the disestablishment of the Ministry of Works and Development in 1988, the Ministry for the Environment inherited a large number of land holdings consisting of:

- reserves that have been taken for flood protection purposes
- soil conservation reserves.

Crown Revenue and Receipts for the year ended 30 June 2005

(GST inclusive where applicable)

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
Vote: Environment				
Current revenue				
Non-tax revenue				
3	Catchment Works Loans – interest	1	1	1
606	Coastal royalties	877	400	680
18,912	Land recognition	0	0	0
19,521	Total non-tax revenue	878	401	681
Capital receipts				
671	Catchment Works Loans – principal	675	673	673
671	Total capital receipts	675	673	673
20,192	Total Crown revenue and receipts for Vote: Environment	1,553	1,074	1,354
Vote: Climate Change and Energy Efficiency				
Capital receipts				
824	Crown Energy Efficiency Loans	1,088	1,124	1,124
824	Total capital receipts	1,088	1,124	1,124
824	Total Crown revenue and receipts for Vote: Climate Change and Energy Efficiency	1,088	1,124	1,124

Schedule of Expenses for the year ended 30 June 2005

The schedule of expenses summarises non-departmental expenses the Ministry administers on behalf of the Crown. Further details are provided in the Statement of Non-Departmental Expenditure and Appropriations on page 42.

(GST inclusive where applicable)

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Vote: Environment			
23,655	Non-departmental output classes	19,009	19,974	19,974
12,099	Loss on sale	0	0	0
3,615	Other expenses to be incurred by the Crown	1,784	1,920	1,958
39,369	Total non-departmental expenses: Vote: Environment	20,793	21,894	21,932
	Vote: Climate Change and Energy Efficiency			
12,126	Non-departmental output classes	12,445	12,445	12,445
2,580	Other expenses to be incurred by the Crown	314,206	6,102	6,102
1,652	Capital investment in organisations other than departments	2,000	2,000	2,000
16,358	Total non-departmental expenses: Vote: Climate Change and Energy Efficiency	328,651	20,547	20,547

Schedule of Assets as at 30 June 2005

The schedule of assets summarises the assets that the Ministry administers on behalf of the Crown.

Actual 30/06/2004 \$000		Actual 30/06/2005 \$000	Main estimates 30/06/2005 \$000	Supplementary estimates 30/06/2005 \$000
	Current assets			
4,883	Cash	13,731	1,566	2,877
1,503	Accounts receivable	1,839	1,908	1,608
0	Pre-payments	17	0	0
	Non-current assets			
6,714	Term receivables and advances	6,615	6,818	6,812
6,813	Crown Land	6,813	6,813	6,813
19,913	Total non-departmental assets	29,015	17,105	18,110

Schedule of Liabilities as at 30 June 2005

The schedule of liabilities summarises the liabilities the Ministry administers on behalf of the Crown.

Actual	Notes	Actual	Main estimates	Supplementary estimates
30/06/2004		30/06/2005	30/06/2005	30/06/2005
\$000		\$000	\$000	\$000
Current liabilities				
6,002	Trade creditors and accruals	9,980	4,000	4,000
0	Kyoto Protocol provision	309,843	0	0
4	GST	9	0	0
6,006	Total non-departmental liabilities	319,832	4,000	4,000

Statement of Commitments as at 30 June 2005

At 30 June 2005 there were no operating or capital commitments in relation to the activities undertaken by the Ministry on behalf of the Crown (2004: NIL).

Statement of Contingencies as at 30 June 2005

At 30 June 2005 there were no known contingent liabilities or assets. No indemnities or guarantees were given under the Public Finance Act 1989 in relation to the activities undertaken by the Ministry on behalf of the Crown (2004: NIL).

The Ministry for the Environment is owner of a contaminated site at Otaki, Kapiti District. At this stage the liability cannot be valued until further investigation of the site takes place.

Notes to the Financial Statements 30 June 2005

1 Kyoto Protocol Provision

New Zealand's liability under the Kyoto Protocol for the first Commitment Period

New Zealand is a signatory to the Kyoto Protocol, which imposes binding emission reduction targets on New Zealand, over the First Commitment Period (CP1 – 2008–2012). The Protocol entered into force on 16 February 2005, as a result of Russia's decision to ratify.

The position of each country for CP1 is calculated in an agreed manner. Countries may sell any surplus units to countries that need to purchase units to make up a deficit in meeting their Kyoto obligations through domestic action. Alternatively, they can choose to hold on to any surplus emission units to count against emission obligations in future commitment periods.

New Zealand projected net emissions position over the First Commitment Period

The most recent estimate of New Zealand's net position is a net deficit of 36.2 million tonnes of CO₂ equivalent (under a "median" scenario).

Accounting for the estimated liability

In previous forecasts there was insufficient certainty around the robustness of the outcome in terms of some of the variables used. This did not allow the amount of the asset/liability to be reliably measured and, therefore, required disclosure of a contingent liability (as was the case in the 2004 Financial Statements of the Government and the 2005 Budget Economic and Fiscal Update) rather than an actual liability. In addition, at the time previous estimates were published, the determination of a market price was also less reliable.

Over the last year there has been extensive review of the robustness of the assumptions and methodologies underpinning the projections, including improvements to the energy forecasting model and the revision of the forest sink (forest meeting the definition of new forest plantings under the Kyoto Protocol) estimates in light of recent scientific research. This work has significantly reduced the uncertainty around the estimates of the quantum of the liability.

This reduction in uncertainty, combined with the Protocol's entering into force, means that the value of New Zealand's Kyoto estimated liability can now be measured with sufficient reliability as to require recognition in the Crown financial statements.

In determining the estimated liability, reliance has been placed on information provided by Government Statistics and the agricultural and forestry sector.

There are three key aspects on the liability which are subject to fluctuation through time including:

- assumptions underlying the calculation of the quantum
- price per tonne of carbon
- exchange rate of the United States dollar.

Any changes in the three aspects will impact on the value recognised in these financial statements.

Valuing the estimated liability

The fiscal cost of meeting this liability depends on the quantum of the deficit, the price of Kyoto compliant units and the \$US/\$NZ exchange rate. Assuming an exchange rate of \$US0.701 = \$NZ1 (based on 30 June 2005 exchange rate) and a carbon price of \$US6 per unit, the current valuation for purchasing 36.2 million units on the international market would be around \$310 million. It should be noted that provisions by their nature are more uncertain than most other items in the statement of financial position.

Assurances around the net position estimate

A number of peer reviews have been completed or are to be commissioned in the near future, in order to provide independent analysis of the various components of the net emissions projections:

- a peer review of the 2005 net emissions position calculation has been commissioned by the Ministry for the Environment. This review has been conducted by AEA Technology, who have provided initial verbal verification of the estimate
- Allen Consulting Group has undertaken a review of the Treasury's carbon price assumption
- a review has been completed by Covec of the Ministry of Economic Development's Supply and Demand Energy Model (SADEM) total energy model, and confirmed its appropriateness for the intended purpose with recommended minor improvements to be largely implemented over the coming year. Castalia have completed a review of the electricity component of the 2005 energy greenhouse gas modelling results and recommended some improvements which are expected to have a small effect on emissions
- in determining the estimate of forest sinks, reliance has been placed on information supplied by the forestry sector. This information has not been verified independently, however, where possible it has been reviewed for reasonableness and consistency. For instance, the estimates of new forest plantings have been reviewed by the School of Forestry at the University of Canterbury. Moreover, the various components of New Zealand's Carbon Accounting System will be subject to international expert peer review throughout the system's development and implementation
- the Ministry of Agriculture's livestock numbers projection model was re-developed by the New Zealand Institute of Economic Research (NZIER) in 2003. The greenhouse gas emissions factors that are applied to the projected livestock numbers are based on research by AgResearch and other research institutes. This research programme was independently evaluated in 2005.

Future obligations

No liability or contingent liability for periods beyond 2012 has been recognised, as New Zealand currently has no specific obligations beyond the First Commitment Period. The architecture of any obligations in future periods has yet to be negotiated.

Statement of Responsibility

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Ministry for the Environment, for the preparation of the Ministry's financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry for the year ended 30 June 2005.



Barry Carbon
Chief Executive
30 September 2005

Countersigned by:



Paul Bird
Finance Manager
30 September 2005

Audit Report

To the readers of the Ministry for the Environment's financial statements for the year ended 30 June 2005

The Auditor-General is the auditor of the Ministry for the Environment (the Ministry). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Ministry, on his behalf, for the year ended 30 June 2005.

Unqualified opinion

In our opinion the financial statements of the Ministry on pages 9 to 55:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Ministry's financial position as at 30 June 2005
 - the results of its operations and cash flows for the year ended on that date
 - its service performance achievements measured against the performance targets adopted for the year ended on that date
 - the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Ministry on behalf of the Crown for the year ended 30 June 2005.

The audit was completed on 30 September 2005, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data
- verifying samples of transactions and account balances

- performing analyses to identify anomalies in the reported data
- reviewing significant estimates and judgements made by the Chief Executive
- confirming year-end balances
- determining whether accounting policies are appropriate and consistently applied
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Executive and the Auditor

The Chief Executive is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Ministry as at 30 June 2005. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. In addition, they must fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Ministry on behalf of the Crown for the year ended 30 June 2005. The Chief Executive's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit, we have provided tax assurance services which are compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Ministry.



Ajay Sharma
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Ministry for the Environment for the year ended 30 June 2005 included on Ministry for the Environment's web-site. The Ministry for the Environment's Chief Executive is responsible for the maintenance and integrity of the Ministry for the Environment's web site. We have not been engaged to report on the integrity of the Ministry for the Environment's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 September 2005 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

5 Environmental Report

The Ministry for the Environment's Environmental Report provides an update on our environmental performance for the 2004/05 financial year. The Ministry's environmental performance is measured using the following key parameters: materials use, waste, and energy (including transport and the Ministry's carbon footprint).

Highlights and Challenges

The 2004/05 financial year yielded some significant highlights and some areas to focus improvements for the 2005/06 year. The major outcomes of the 2004/05 environmental performance include:

- the relocation of all Wellington staff into a new building (Environment House) that features a number of sustainability measures
- 98% of publications used chlorine free paper and 65% of paper content was recycled
- Office paper usage decreased by 6% per staff member
- 97% of total waste generated by Ministry staff is recycled
- Recycling increased by 19% per staff member
- Waste to landfill decreased by 22% per staff member
- Our offices continued to perform well against the Energy Efficiency and Conservation Authority low usage benchmark
- Domestic and international air travel decreased by 33% and 20% respectively
- The Ministry's hybrid vehicles contributed to a 30% decrease in petrol usage, despite a 15% increase in kilometres travelled
- The Ministry's carbon footprint decreased by 32% per staff member.

While the total amount of waste recycled increased over the 2004/05 period, so did the Ministry's total waste (including recycling and waste to landfill). The major challenge for the 2005/06 year will be to address our increasing waste stream.

Office update

In June 2005 Ministry staff in Wellington (then accommodated in three separate buildings) moved into the new Environment House on Kate Sheppard Place. The new building features environmental measures such as:

- a state of the art air-conditioning system that utilises heat transfer and the latest low impact refrigerants
- sustainable materials used wherever possible (eg, Environmental Choice certified paint and carpets)
- integrated recycling facilities on all floors for food, paper and non-recyclable waste
- occupancy sensors on lights in the corridors and bathrooms
- open plan seating to allow high natural light
- showers, lockers and bike racks to encourage and support staff in cycling and running.

An assessment of the environmental footprint of the Ministry's accommodation arrangements, including staff arrangements for getting to work, was undertaken in June 2005. This assessment will

be repeated in June 2006 in order to assess the improvement from moving to the new building. The results will be reported in the 2005/06 Environmental Report.

Key targets and commitments	Progress at 30 June 2005
Assess the environmental footprint of the new building in 2005/06	The Ministry's Wellington staff relocated to a single building.

Materials Used

Publications

The Ministry produced a total of 182 different reports, brochures, booklets etc in 2004/05. This is a 3.5% reduction in the overall number of publications from the previous year (200 in 2003/04). The paper content of physical publications was 15 tonnes or 65 kg per full time equivalent staff member (FTE). This is a 23% increase in weight from 2003/04 (11 tonnes – 200 items), but remains well below the comparative figure for 2001/02 (22.5 tonnes – 126 items).

The number and type of publications continues to reflect the diversity of the Ministry's work programme and its commitment to keeping stakeholders informed through both printed materials and its website. The Ministry continues to limit the initial print runs of major publications to avoid stockpiles (of the 182 publications, 16 were reprints). The number of web-based only publications increased to 53 (compared to 21 in 2004/05).

An estimated 98% of publications by weight were chlorine-free (97% in 2003/04), and 65% of paper content by weight was recycled (60% in 2003/04).

Office paper

During the 2004/05 period the Ministry has slightly increased the total use of A4 copier and headed paper by 3.1% to 7.06 tonnes (6.8 tonnes in 2003/04). However, taking into consideration the increase in staff numbers, this reflects a 6% decrease to 12.3 reams per FTE (13.1 reams per FTE in 2003–2004). Through paper saving measures such as printers and photocopiers with duplexing ability, set up of computers by the Information Management Team, and staff training, the Ministry expects this downward trend to continue. The results exceed our commitment to a 10% reduction to 17 reams per FTE from 2001/02.

During the 2004/05 year approximately 97% of office paper used was 100% recycled and totally chlorine free (93% in 2003/04).

In addition, the Ministry now has a policy of using 100% recycled and chlorine free stationery.

After surveying the major office paper suppliers in New Zealand, the Ministry is currently working on paper purchasing guidance for government and other sectors. In addition to recycled content and bleaching methods, this survey took into account whether paper comes from native forest sources and if it has any sustainable forest or life-cycle certification. The Ministry is considering incorporating these new categories into the 2005/06 Environmental Report.

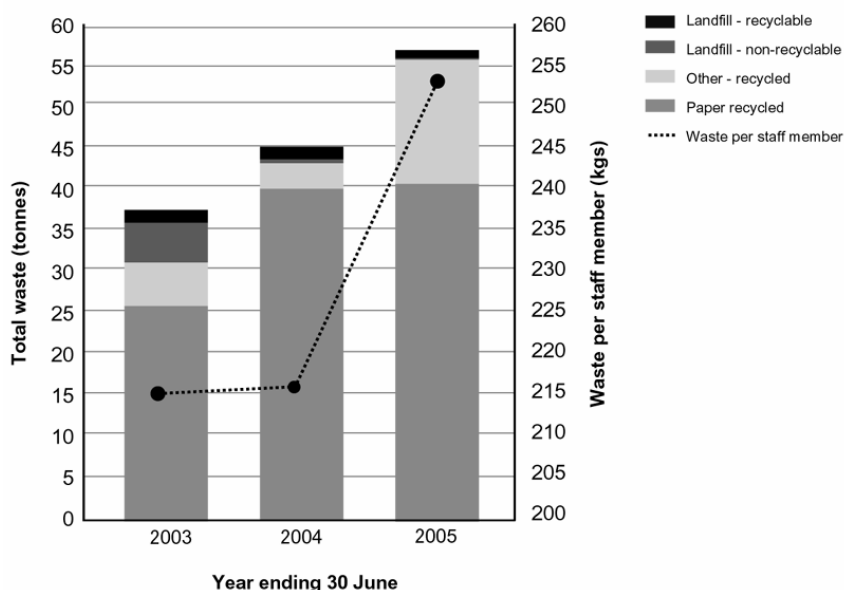
Table 1: Our performance over time

	Actual 2004/05	Actual 2003/04	Actual 2002/03	Actual 2001/02
Weight of publications per staff member (kg)	65 kg	53 kg	41 kg	162 kg
Reams of copier paper per staff member (number)	12.3	13.1	18.8	19.4

Key targets and commitments	Progress at 30 June 2005
Continue to reduce reams of paper used per staff member.	Ongoing: Continue to produce more of our publications as web or email only publications.
Review target for reams of paper used per FTE for next few years.	Achieved: A 37% reduction in paper use per FTE has been achieved since 2001/02. Revised commitment: Review reduction targets for office paper.

Waste

Figure 1: Ministry for the Environment analysis of waste streams



The amount of waste and recycled material generated by Ministry staff is estimated to have increased by 29% to 58 tonnes this year. This is a 17.5% increase in total waste per staff member to 253 kg (215 for 2003/04). The greatest increase is the amount of other recyclable materials (plastic, glass and cans), though the reasons for this are unclear.

There was a 19.4% increase in recycled waste per FTE with 246 kg per FTE compared to 206 kg in 2003/04.

Waste to landfill has decreased by 22% for this period from 9 kg/FTE to 7 kg/FTE. The new head office in Wellington has recycling and composting facilities in the kitchen on each floor as well as non-recyclable facilities.

Note that no data was available from the South Island office this year so the 2004/05 data is for the Wellington office only. As the South Island waste is such a small part of the overall waste it has not been excluded from the previous year's data.

Table 2: Benchmarking our performance

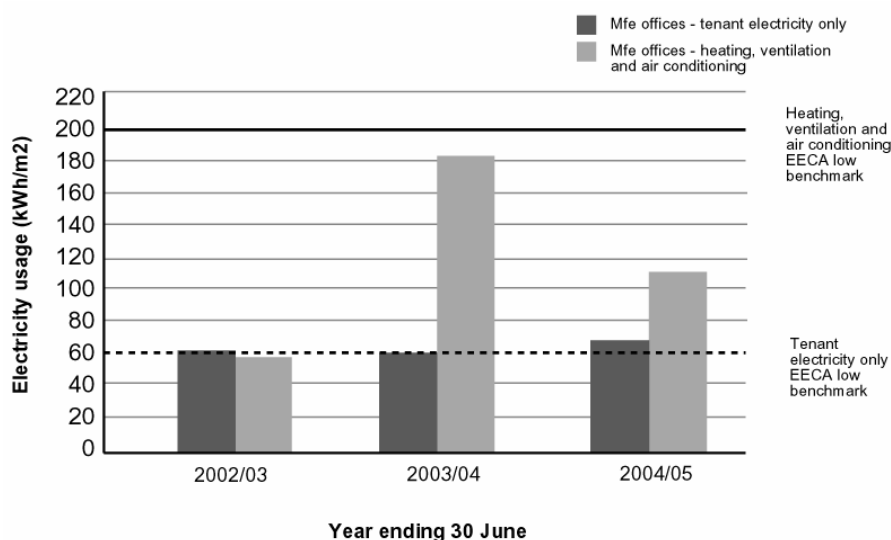
	Actual 2004/05	Actual 2003/04	Actual 2002/03	Benchmark*
Total waste generated per staff member (kg)	253	215	215	200
Waste to landfill per staff member (kg)	7	9	32	–

* UK Environmental Agency good practice benchmark

Key targets and commitments	Progress at 30 June 2005
Address issue of overall waste increasing.	Revised commitment: Determine new waste reduction target and identify steps to achieve this.

Energy

Figure 2: Ministry for the Environment electricity usage per m²



In 2004–2005 the Ministry increased electricity usage by 1.6% to 423,722 kWh. Due to the increase in staff numbers over this period there was an 8.3% increase for offices with ‘tenant-only electricity’ (ie, excluding heating, ventilation and air conditioning (HVAC)) but a 5.4% decrease in HVAC offices. Our offices continued to perform close to or well below their respective Energy Efficiency Conservation Authority low-usage benchmarks.

Note that all figures exclude Auckland office energy figures. As energy costs are included in the lease, energy use cannot be separated out from the total lease payment.

The figures for Auckland have been taken out of the 2002/03 and 2003/04 datasets so comparisons are relevant.

Table 3: Benchmarking our performance

	Actual 2004/05	Actual 2003/04	Actual 2002/03	Low-typical usage benchmark*
Offices – tenant electricity only (KWh/m ²)	65	60	62	60–150
Offices – with HVAC (KWh/m ²)	112	119	140	200–280

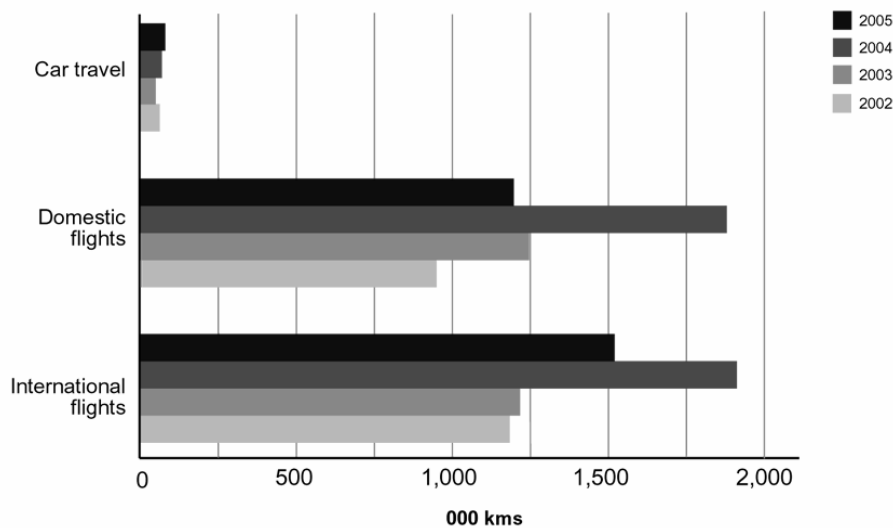
* Per Energy Efficiency and Conservation Authority (EECA)

The move to Environment House has seen the introduction of new energy efficiency measures such as occupancy sensors on corridor and bathroom lights, low energy appliances and a state-of-the-art air conditioning system. Energy use will continue to be monitored with the expectation that the Wellington office’s energy use will reduce over the next 12 months.

Key targets and commitments	Progress at 30 June 2005
Maintain offices energy performance within the low EECA benchmark.	Ongoing: Continue to monitoring of energy use and measures to maximise energy efficiency. Achieved: Wellington staff moved into new office in June 2005.

Transport

Figure 3: Ministry for the Environment travel analysis



In 2004/05 staff flew 1,237,287 km domestically and drove 93,343 km. This represents a decrease of 33.4% for domestic flights and a 15% increase in vehicle travel. However, due to the replacement of two of the Ministry’s conventional vehicles with hybrid vehicles the amount of petrol used decreased by approximately 30%.

Senior staff also flew a total of 1,508,964 km on trans-Tasman and long haul international flights presenting or representing New Zealand interests. This was a decrease of 20% from the previous year (1,893,024 km). Although the total number of flights increased slightly (490 compared to 462) the actual mileage decrease indicates that the Ministry’s commitments were able to be fulfilled closer to home in 2004/05 or using avenues other than attendance at international meetings or events.

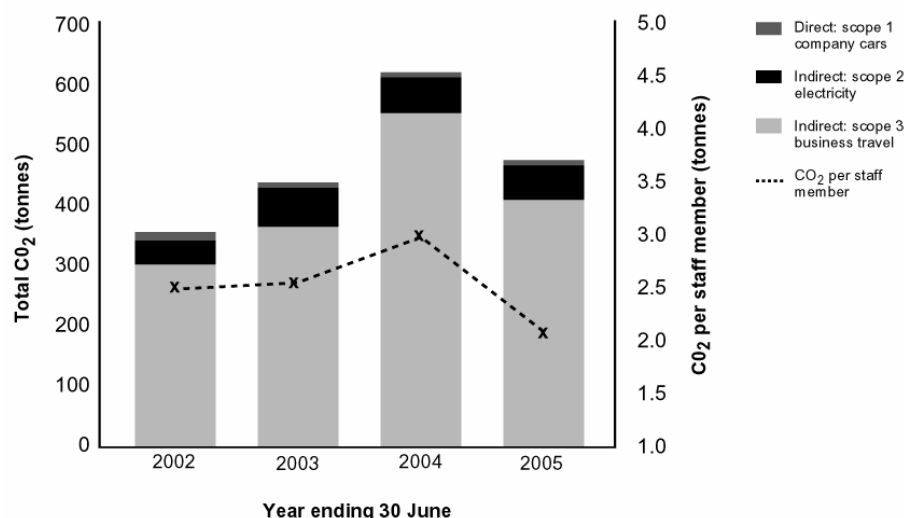
Table 4: Our performance over time

	Actual 2004/05	Actual 2003/04	Actual 2002/03	Actual 2001/02
Domestic air travel per staff member (km)	5403	8887	7449	6449
International air travel per staff member (km)	6589	9058	7256	8600
Ministry and hire car travel per staff member (km)	408	388	362	476

Key targets and commitments	Progress at 30 June 2005
Monitor air travel and understand and report back on the reasons for any fluctuation from 2004/05 levels	Ongoing: Continue to monitor travel throughout 2005–2006.
A survey of staff arrangements for travelling to work was undertaken in June 2005 as part of the environmental footprint assessment.	Ongoing: This assessment will be continued in June 2006 and the results reported in the 2005/06 Environment Report.

Carbon Footprint

Figure 4: Ministry for the Environment CO₂ equivalent emissions



In 2004/05 the Ministry generated a minimum¹ of 473.5 tonnes of CO₂ equivalent emissions, a 26% decrease on 2003/04 (636.4 tonnes). The Ministry CO₂ equivalent emissions decreased by 32% to 2.1 tonnes per FTE from 2003/04 emissions (3 tonnes).

The decrease in emissions is primarily due to decreased international and domestic flight kilometres as well as a decrease in petrol consumption by the hybrid vehicles. The only increase in CO₂ equivalent emissions was in hire car mileage/petrol due to the increased vehicle use for this period and a small increase in electricity used.

Table 5: Our performance over time

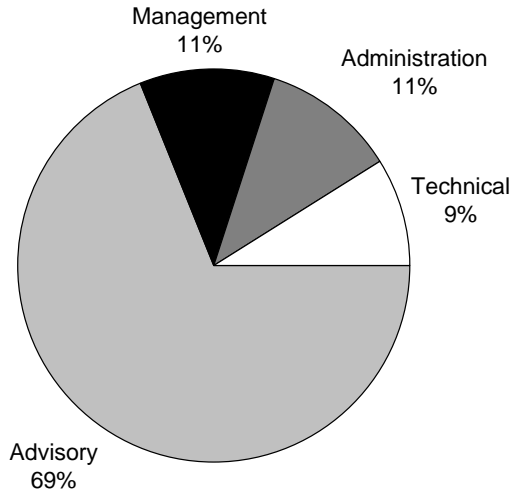
	Actual 2004/05	Actual 2003/04	Actual 2002/03	Actual 2001/02
CO ₂ equivalent emissions per staff member (tonnes)	2.1	3.0	2.6	2.5

Key targets and commitments	Progress at 30 June 2005
Monitor our CO ₂ equivalent emissions to understand and report back on the reasons for any fluctuation year to year.	Ongoing: We will continue to monitor our CO ₂ equivalent emissions throughout 2005/06.

¹ Note that while calculated in accordance with international Greenhouse Gas accounting protocols, in common with many organisations reporting on their CO₂ impact, our CO₂ figure represents a minimum only. For example, the electricity usage for air conditioning/heating/shared areas for two of our Wellington offices is currently not included because of difficulties in obtaining adequate data.

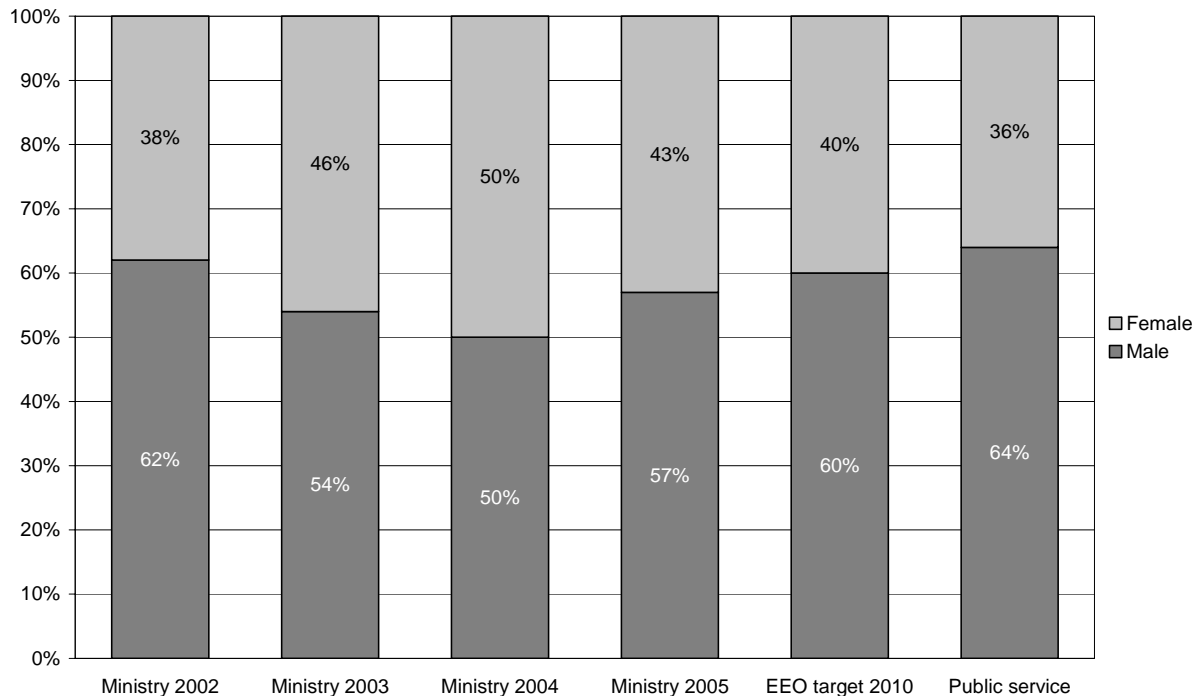
Our Staff

Figure 5: Profile of the Ministry for the Environment at 30 June 2005



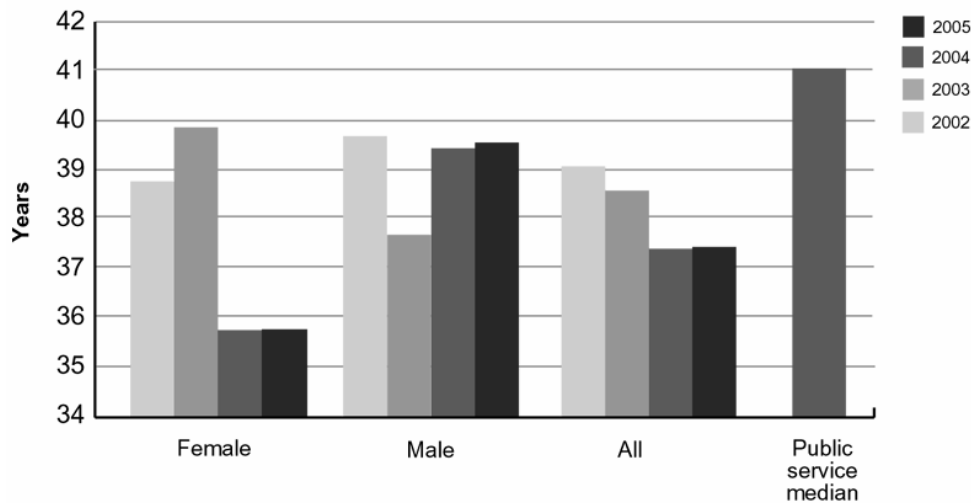
The Ministry's staff numbers have grown from 226 in 2004 to 239 in 2005 due to the Ministry's expanded work programmes for 2004/05. The profile of the Ministry has remained similar to that of last year, however the percentage of Advisers has increased slightly (from 67% to 69%).

Figure 6: Representation of women in management at 30 June 2005



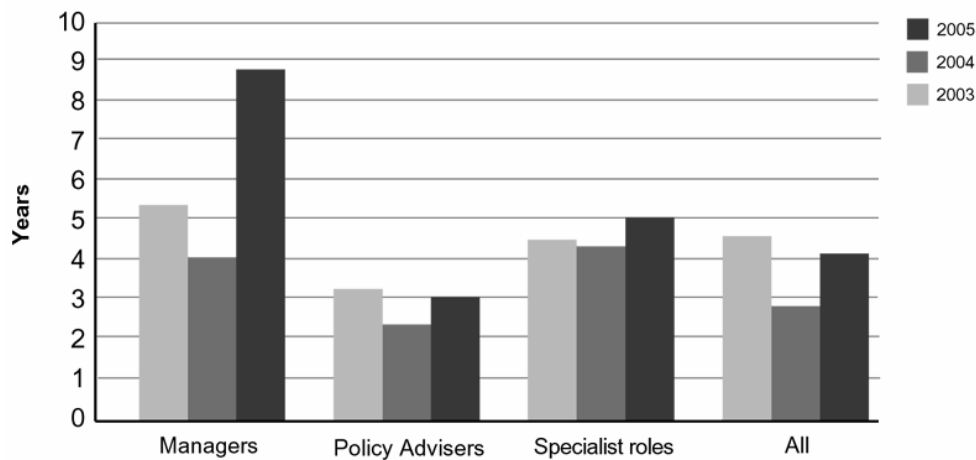
2005 saw a drop in the proportion of women in management in 2005, from 50% in 2004 to 43% in 2005. The Ministry however is still well ahead of both the EEO target for 2010, and the public service representation of women in management.

Figure 7: Average age of Ministry for the Environment staff at 30 June 2005



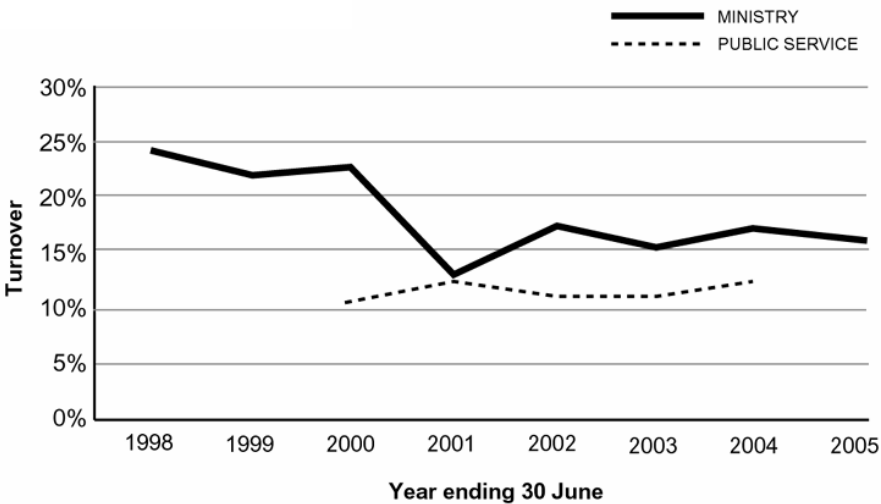
The average age for all Ministry staff as at 30 June 2005 is 36 years, compared with that of 42 years for the public sector. This figure has steadily declined over the past two years, primarily due to the introduction of an annual Graduate Programme in 2004. A high percentage of the Graduates recruited for the programme have been female, which reflects the youthful average age of female employees compared with that of male employees.

Figure 8: Average length of service at 30 June 2005



The average length of service is currently four years, a significant increase from 2004. Those in Management positions have a significant amount of service compared with those holding other positions in the Ministry. This reflects career progression within the organisation, with the majority of the managers holding Adviser level positions before moving into a management role.

Figure 9: Core unplanned turnover



There has been a slight decrease in turnover from 16.8% in 2004 to 15.5% in 2005. This figure remains higher than the public service turnover of 12.5% in 2004 (2005 figures not available), which is increasing from 2003. The majority of turnover continues to be at adviser level. Administration and management staff have the lowest levels of turnover in the organisation.

6 Management of the Ministry

Human Resources

There has been a big effort from the human resources function to support the capability of the organisation through the following initiatives:

- negotiation of a new Collective Employment Agreement with the New Zealand Public Service Association
- introduction of a revised performance management system
- another successful intake from the Ministry's graduate recruitment programme
- a staff climate survey revealed that the Ministry continues to be a friendly and positive work environment
- an extensive development programme has been run to support the Ministry's organisational competencies
- a large amount of recruitment activity was conducted, with 75 staff recruited during 2004/05.

Stakeholder Engagement

Building relationships and working in partnership with others has been a key focus of our work during the 2004/05 year.

In November 2004 the Ministry, in partnership with regional councils, undertook a second national Talk Environment Roadshow covering 16 regions from Whangarei to Invercargill. We met with the community, iwi, local government and industry to hear their views about our work and explain how major Ministry-led projects are progressing. Another Roadshow is planned for October 2005.

Following the success of the inaugural forum, a second National Youth Environment Forum was held in December 2004 for the first time in partnership with the Sir Peter Blake Trust. The forum brought together 45 young people from throughout the country, selected by regional councils, providing an opportunity for them to have a voice on environmental issues and to learn first hand the complexities of environmental management.

We also promoted environmental action by individuals, organisations and businesses through the 2005 Green Ribbon Awards. Eleven awards were presented to individual and group winners and highly commended in six categories.

In partnership with regional councils, we began work on a three year water awareness campaign, to be launched in early 2006.

Between 31 July 2004 and 30 June 2005 we held seven stakeholder liaison meetings with non-governmental organisations, three with professional association representatives and four meetings with industry.

Environment House

The Ministry for the Environment moved to a new home, 23 Kate Sheppard Place, Thorndon, Wellington, in June 2005.

The eight storey new development will house all of the Ministry's Wellington staff, consolidated from three locations in the CBD, as well a crèche – 'Kids' Environment', which will open on 29 August 2005.

The building sits within the 'Government Precinct' zone in Thorndon that is being proposed by Wellington City Council. The Council is working with government departments and building owners to create better buildings, streetscape and connections.

The Ministry chose the building for its location, (close to public transport hubs and Parliament) and because it presented the opportunity for the Ministry to have a place on the design team for the building. This has allowed the Ministry to influence the construction of the building to incorporate both its fit-out and principles of sustainability.

Key sustainability features

Among the changes the Ministry has achieved include:

- increasing the energy efficiency of the lighting system
- changing to a state-of-the-art air conditioning system that utilises heat transfer and the latest low impact refrigerants
- ensuring sustainable materials were used wherever possible (eg, Environmental Choice certified paint and carpets)
- integrating recycling facilities on all floors for food, paper and mixed recyclables
- re-using much of the Ministry's existing furniture and fittings.

The new building is equipped with a fully featured electronic Building Management System. This manages and fine-tunes all building control systems, allowing continuous scanning and control of building conditions and performance. This level of control combined with a consciously sustainable property management ethos will allow the Ministry to minimise the building's environmental footprint.

The Ministry is looking forward to the efficiencies that will be offered by being under one roof in close proximity to some of the Ministry's major stakeholders (eg, Parliament). This move will also make the Ministry more accessible to the public.

Information Management

The Ministry continued to build on its information management capability during the year. Resourcing of the Ministry's information management function was further strengthened through the recruitment of additional skilled and experienced staff.

A number of significant information initiatives were completed in 2004/05, including:

- the development and initial implementation of an Information Strategy for the Ministry
- the continued delivery of a number of e-government related initiatives, including the development of a number of shared work spaces for cross-government projects
- the purchase of an electronic document management system which will allow us to better manage our electronic corporate records. The system was trialled extensively towards the latter part of 2004/05 and is expected to be rolled out across the organisation in September 2005
- the continued refinement of our tracking system including the process for managing ministerial work flow documentation, contributed to an improvement in the Ministry's management and response to ministerials in 2004/05
- brand new IT infrastructure was set up in the new building.

The 2005/06 financial year will build on the foundation of the information strategy. Planned initiatives of the Information Management team include the implementation of an electronic document management system, developing and implementing a web strategy for the Ministry that supports the organisation's overall communications strategy, and the development of an up-to-date suite of information management policies and guidelines for the Ministry that are in line with best practice and comply with relevant legislation.

Crown Entity Monitoring

The Environmental Risk Management Authority

During the 2004/05 financial year the Ministry held monthly meetings with the executive of the Environmental Risk Management Authority (ERMA New Zealand) to discuss emerging issues, potential risks and progress on matters of relevance to ERMA. Senior management of the Ministry also maintained regular contact with the Chief Executive of ERMA New Zealand to ensure any key issues were addressed quickly and effectively. Additional meetings were held as and when required, both with the Chair of the Authority and with staff. The Ministry also reviewed quarterly reports and other key accountability documents received from the Authority to monitor ERMA's progress against their annual objectives.

The Energy Efficiency and Conservation Authority

During the 2004/05 financial year we continued to monitor the Energy Efficiency and Conservation Authority (EECA). The Ministry held bi-monthly liaison meetings with the executive of EECA and EECA officials to discuss emerging issues, potential risks and progress on matters of relevance to EECA. Senior Ministry staff also held regular informal meetings with senior EECA staff and maintained regular contact with the Chief Executive of EECA. The Ministry also reviewed quarterly reports and other key accountability documents received from the Authority to monitor EECA's progress against their key outputs.

Reducing Inequalities

As kaitiaki, hapu and iwi, we have a responsibility to protect the environment for future generations. The Ministry recognises this responsibility to protect the environment for future generations and supports hapu and iwi to carry out their obligations as kaitiaki.

In 2004/05 the Ministry supported:

- the settlement of Treaty of Waitangi claims to natural resources
- projects aimed at reducing the compliance costs associated with the Resource Management Act 1991 on businesses, including the development of guidance on Maori consultation in terms of resource consent processes from iwi/hapu, consent authorities and applicants
- projects aimed at new and more effective ways of involving tangata whenua in the management of natural resources, including a project to examine the effectiveness of iwi management plans
- kaitiakitanga projects through the Sustainable Management Fund.

Improved Iwi Participation

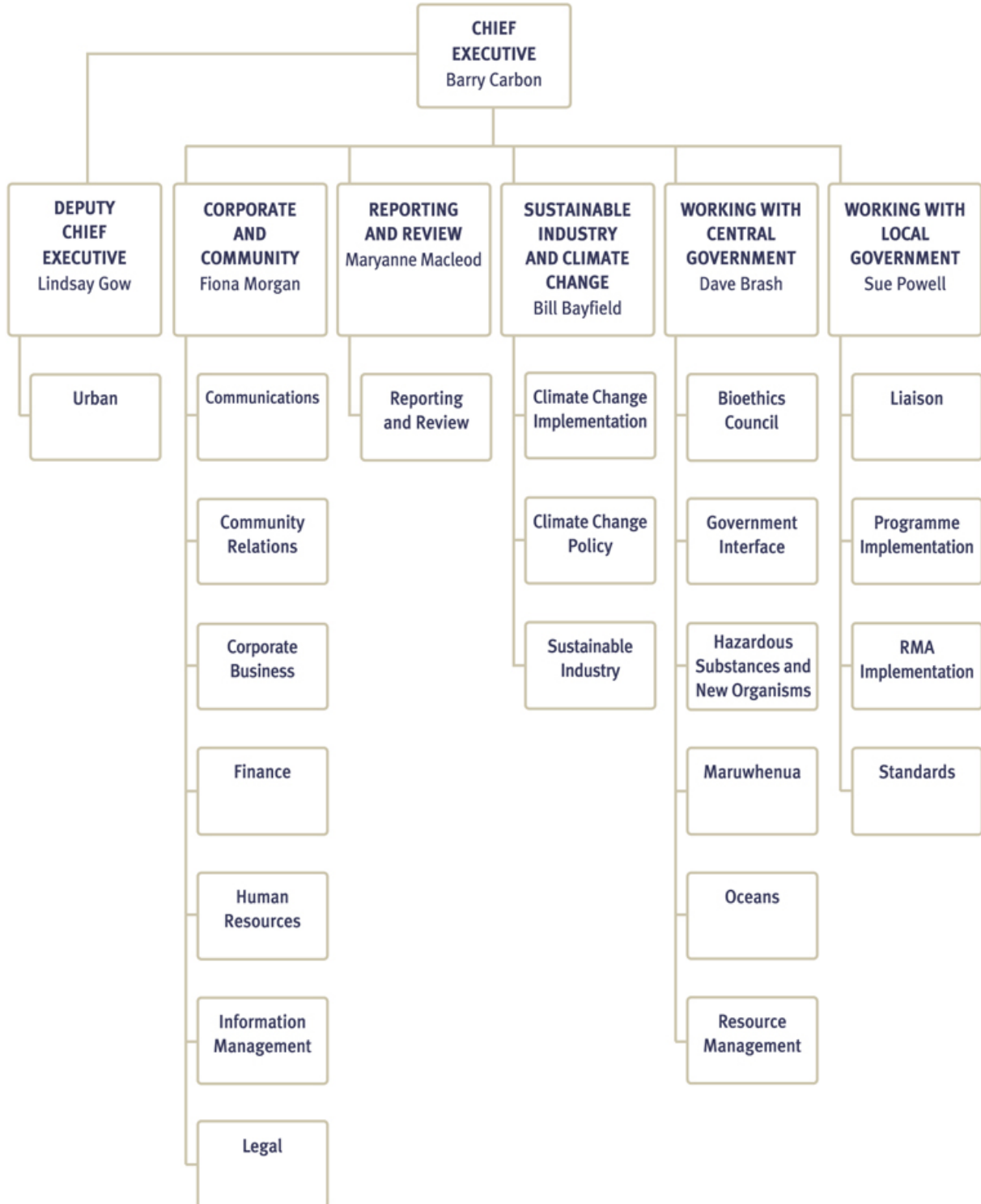
The Ministry has also been working with iwi in a number of regions to support them in achieving their environmental goals, including through supporting their relationships with local authorities. This has included:

- work with iwi in Te Tai Tokerau to establish a coordinated approach across a number of iwi and hapu to respond to environmental issues
- work with Ngati Tuwharetoa on the water quality issues in Lake Taupo
- regular meetings with Ngai Tahu in progressing our obligations under their Deed of Settlement
- ongoing engagement with iwi environmental groups
- establishment of a Maori Reference Group to support the development of the Water Programme of Action
- support for the implementation of the Kaimoana Survey Guidelines for Hapu and Iwi
- ongoing support for the Ministry's Maori Environmental Indicators Programme.

In addition to this, a significant amount of work has been undertaken in developing a proposed package of initiatives to be rolled out through upcoming policy implementation for the RMA Review, foreshore and seabed, and aquaculture policies. This is likely to be the main vehicle for delivering improved outcomes to Maori over the coming year.

Management Structure

During 2004/05 the Ministry made some changes to the structure of the organisation, increasing our business groups to six with the development of the Reporting and Review Group and the Urban Group.



Advisory Bodies/Ministerial Committees 2004/05

Bioethics Council

Statutory basis

There is no statutory basis requiring the Council to exist. The Council was established by a Cabinet minute.

Purpose

To enhance New Zealand's understanding of the cultural, ethical and spiritual aspects of biotechnology and to ensure that the use of biotechnology has regard for the values held by New Zealanders.

Business Compliance and Costs Group

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

To provide input and advice on the direction, focus, and method of implementation of the resource consent process by member's organisations and colleagues.

Cyanobacteria Issues Discussion Group

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

This involved a discussion meeting held in response to an increasing number and frequency of cyanobacteria incidents.

Energy and Efficiency and Conservation Authority (EECA)

Statutory basis

Energy Efficiency and Conservation Act 2000.

Purpose

To encourage, promote and support energy efficiency, energy conservation and the use of renewable resources in New Zealand.

Environmental Legal Assistance Fund Advisory Panel

Statutory basis

There is no statutory basis requiring this group to exist. The Panel was developed due to a Cabinet decision.

Purpose

To advise the Ministry for the Environment on applications to the Environmental Legal Assistance Fund.

Environment Risk Management Authority (ERMA)

Statutory basis

Hazardous Substances and New Organisms Act 1996.

Purpose

The Authority is responsible for the governance of its agency. This involves assigning controls to manage the risks associated with hazardous substances and new organisms and responsibility for the approval of the introduction of new hazardous substances and new organisms.

Freshwater Indicators Working Group

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

To assist the Ministry with the development of a core set of freshwater indicators and monitoring protocols to assess the effectiveness of national water management policies and programmes and the health of New Zealand's freshwater resources.

Human Drinking-Water Source Standard Reference Group

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

This is a local government and industry reference group used to develop a favoured option for the human drinking-water source standard.

Maori Water Reference Group (Wai Maori)

Statutory basis

There is no statutory basis requiring this group to exist. This group was established upon an agreement by the Water Steering Group.

Purpose

To assist with the development of a policy process within the Sustainable Development Programme of Action.

New Zealand Carbon Accounting System Steering Committee

Statutory basis

Kyoto Protocol and United Nations Framework on Convention Change.

Purpose

Act as a steering committee for the Technical Advisory Committee.

Professional Development Scheme for RMA Decision-Makers Advisory Board

Statutory basis

There is no statutory basis requiring this group to exist.

Purpose

Responsible for improving the quality and consistency of decision-making on notified consent applications under the Resource Management Act 1991, and improving business and public confidence in the credibility of local decision-making. Additionally, this group is responsible for building Resource Management Act 1991 capacity in local government.

Sustainable Development Water Programme of Action Stakeholder Reference Group

Statutory basis

There is no statutory basis requiring this group to exist. This group was established upon approval by the Water Programme of Action Steering Group.

Purpose

To provide input into the policy. This is developed under the Water Programme of Action.

Urban Design Advisory Group

Statutory basis

There is no statutory basis requiring this group to exist. This group was set up as part of Sustainable Development Programme of Action to produce an Urban Design Protocol for New Zealand.

Purpose

To provide leadership and advice to the Minister with Responsibility for Urban Affairs on the development and successful implementation of initiatives aimed at realising the objectives and anticipated outcomes of the *New Zealand Urban Design Protocol*.

Acts Administered

- Soil Conservation and Rivers Control Act 1941
- Environment Act 1986
- Resource Management Act 1991
- Ozone Layer Protection Act 1996
- Hazardous Substances and New Organisms Act 1996
- The Energy Efficiency and Conservation Act 2000
- Climate Change Response Act 2002.

7 Contact Information

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