

# The Treasury

## Budget 2024 Information Release

### September 2024

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**Treasury Report:** Status of allocations previously made through the  
Climate Emergency Response Fund

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<b>Date:</b>	13 March 2023	<b>Report No:</b>	T2024/605
		<b>File Number:</b>	SH-10-8

**Action sought**

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	<b>Action sought</b>	<b>Deadline</b>
Hon Nicola Willis <b>Minister of Finance</b>	Agree to the recommendations ahead of Budget Ministers 3.	14 March 2024

**Contact for telephone discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Anastasia Kosteckyj	Analyst, Climate Change <sup>[39]</sup>	<sup>[35]</sup>	✓
Nicky Lynch	Manager, Climate Change		

**Minister's Office actions (if required)**

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**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes (attached)

# Treasury Report: Status of allocations previously made through the Climate Emergency Response Fund

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## Executive Summary

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This report responds to your request for further advice on:

- the status of funding previously allocated to Climate Emergency Response Fund (CERF) initiatives
- whether this funding aligns with your Government’s priorities; and
- whether there are opportunities for additional savings from initiatives funded from the CERF.

We have completed a rapid assessment exercise of all initiatives previously funded through the CERF to determine the potential for savings from these. A complete breakdown of results from this exercise is attached as Annex 1. This is also summarised in Tables 1-3 below.

Our assessment determined that \$3.9 billion remains allocated to CERF initiatives over the forecast period from 2023/24 to 2026/27, prior to Budget 2024.

	Operating (\$m)	Capital (\$m)	Total (\$m)
<b>Original CERF allocations</b>	4,247.31	494.558	4,741.868
<b>Savings already made prior to B24</b>	971.604		
<b>Revised baseline prior to B24</b>	3,575.210	368.820	3,944.030

*Table 1: Remaining allocations to CERF initiatives over the forecast period from 2023/24 to 2026/27, prior to Budget 2024 savings proposals.*

As part of the Budget 2024 process, there are <sup>[33]</sup> CERF initiatives in total where some savings are in process or likely, and the total funding for these initiatives covers <sup>[33]</sup> of the total funding remaining in baselines prior to Budget 2024. This list of <sup>[33]</sup> Actual savings proposed will be less than this, as not all savings are for the full amount of funding.

There are <sup>[33]</sup> initiatives where we see opportunities for additional decisions at Budget Ministers 3 (BM3) to confirm additional savings. We are still investigating how much funding could be available for savings from these <sup>[33]</sup> initiatives. We will do this as quickly as possible and will provide you with updated information through the Budget decision-making process.

We have categorised all CERF initiatives with remaining funding into categories, with recommended actions, as summarised below. We seek your confirmation of your comfort with these actions.

	Number of initiatives	Total opex currently allocated to these initiatives (\$m)	Total capex currently allocated to these initiatives (\$m)	Suggested actions
Savings already in process	[33]	519.017	0.330	In process
Potential for additional quick savings		867.667	-	Consider at Budget Ministers 3
Further investigation required as to possible savings		205.586	144.500	Treasury will follow up with agencies on alignment with your priorities
Departmental capability initiatives (subset of above)		94.508	-	Most relate to MBIE or MFE- refer to Independent Rapid Review processes
Not recommended for further investigation		1,705.800	23.990	Confirm your comfort with not investigating further
Tagged contingencies		277.141	200.000	In process

Table 2: Summary of results from rapid assessment exercise to identify potential additional options for savings from CERF initiatives

## Recommended Action

We recommend that you:

- a **note** the Treasury estimates \$3.9 billion remained allocated to Climate Emergency Response Fund (CERF) initiatives over the forecast period from 2023/24 to 2026/27, prior to Budget 2024 savings proposals
- b **note** that we estimate there are approximately <sup>[33]</sup> CERF initiatives in total where savings are in progress or likely
- c **note** that these initiatives where savings are in process cover <sup>[33]</sup> of the total CERF funding in baselines prior to Budget 2024, but we do not have a firm estimate of total savings proposed from these initiatives
- d **note** that there are <sup>[33]</sup> initiatives where we see immediate opportunities for decisions to confirm partial additional savings, and we will provide further detail on the <sup>[33]</sup> initiatives in recommendation [d] for a decision at Budget Ministers 3 (BM3)
- e **discuss** the energy and agriculture initiatives identified through this rapid assessment at your upcoming Bilateral meetings with Minister Brown and Minister McClay

- f **note** that there are a number of initiatives that provided funding for departmental capability, particularly for the Ministry for Environment and Ministry for Business, Innovation and Employment
- g **note** that the Ministry for Environment and Minister for Business, Innovation and Employment are undergoing Independent Rapid Reviews to identify further savings options for Budget 2024
- h **note** Treasury will provide the information on Ministry for Environment and Ministry for Business, Innovation and Employment CERF spending in Annex 1 to the Independent Rapid Reviewers
- i **indicate** if there are any initiatives that you would like further information on specifically ahead of BM3
- j **note** that there are several initiatives Treasury does not recommend investigating for further savings opportunities on the basis of the Government's commitments, previously signalled decisions, and their alignment with your priorities
- k **confirm** your comfort with Treasury's recommendation not to investigate the particular initiatives referred to in [I] further.

Nicky Lynch  
**Manager, Climate Change**

Hon Nicola Willis  
**Minister of Finance**

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# Treasury Report: Status of allocations previously made through the Climate Emergency Response Fund

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## Purpose of Report

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1. We recently advised you on disestablishing the Climate Emergency Response Fund (CERF) [T2024/415 refers]. This report responds to your request for further advice on:
  - a the status of funding previously allocated to CERF initiatives
  - b whether this funding aligns with your Government's priorities
  - c whether there are opportunities for additional savings from initiatives funded from the CERF.

## Background

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2. The Treasury is providing you with savings advice on each agency for the Budget Ministers 3 (BM3) meeting on 25 March 2024. This will include an overview of all existing targeted and baseline savings as well as opportunities to go further, which will also apply to initiatives previously funded through the CERF. Agencies were advised that initiatives funded from the CERF in previous Budgets should be considered for savings on the same basis as any other spending.
3. We previously advised you that approximately \$4 billion remained allocated to CERF initiatives over the forecast period from 2023/24 to 2026/27, prior to Budget 2024 savings proposals. At that time, we noted that agencies identified an estimated \$651.1 million in savings options which were at least partially funded originally from CERF initiatives [TR2024/415 refers].
4. We do not hold complete information on savings proposed from initiatives originally funded from the CERF. Monitoring and reporting of CERF initiatives provides us with an up to date baseline, prior to Budget 24 savings proposals, on funding allocated to all CERF initiatives. However, savings submissions did not necessarily provide detailed financial information on savings proposed from CERF initiatives specifically, where these were part of an overall savings initiative incorporating other elements (this is particularly the case for initiatives that relate to departmental capability, where funding is generally in more generic appropriations). This is why it has not been possible to provide a precise figure on CERF savings proposed across the board.

## Funding allocations remaining

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5. \$3.9 billion total remained allocated to CERF initiatives over the forecast period from 2023/24 to 2026/27 prior to Budget 2024.

Remaining allocations to CERF initiatives over the forecast period from 2023/24 to 2026/27, prior to Budget 2024 savings proposals.

	Operating (\$m)	Capital (\$m)	Total (\$m)
<b>Original CERF allocations</b>	4,247.31	494.558	4,741.868
<b>Savings already made prior to B24</b>			971.604
<b>Revised baseline prior to B24</b>	3,575.210	368.820	3,944.030

6. The table below lists the 10 largest initiatives funded through the CERF and their remaining allocations. These account for 68.8% (\$2.7 billion) of total funding remaining in baselines for the forecast period of 2023/24 to 2026/27.

Initiative Name	Remaining allocations in baseline for 2023/24 to 2026/27 period (\$m)
Aotearoa New Zealand's International Climate Finance Commitment 2022-2025	685.9
Agriculture Emissions Reduction – Accelerating Development of Greenhouse Gas Mitigations*	403.0
Warmer Kiwi Homes Programme – Extension and Expansion*	402.6
Funding Further Decarbonisation of Process Heat and Implementation of Supporting Policies*	361.3
Mode-Shift and Reducing Light Vehicle Kilometres Travelled	306.6
Setting up and operating an agricultural emissions pricing scheme*	165.2
Clean Car Discount – Increased Crown Grant	120.0
Electric Vehicle Charging Infrastructure	99.4
Reducing Emissions from Waste*	92.5
Public Transport Concessions for Community Services Cardholders	76.9
<b>Sub-total from 10 largest initiatives (above)</b>	2,713.5
<b>Sub-total from all other 49 initiatives</b>	1,230.5
<b>Total</b>	3,944.0

[33]



## Summary of analysis

**We have conducted a rapid assessment exercise of remaining CERF allocations and have summarised this data in Annex 1 and below**

7. We now estimate that:
- there are approximately <sup>[33]</sup> CERF initiatives in total where savings are in progress or likely, and these initiatives cover <sup>[33]</sup> of the total CERF funding in baselines prior to Budget 2024
  - actual savings proposed will be lower, as not all savings proposed are for full funding
  - we see scope for confirmation of additional savings quickly on <sup>[33]</sup> initiatives.

	Number of initiatives	Total opex currently allocated to these initiatives (\$m- 2023/24 to 2026/27)	Total capex currently allocated to these initiatives (\$m- 2023/24 to 2026/27)	Suggested actions
<b>Savings already in process</b>	<sup>[33]</sup>	519.017	0.330	Savings in process
<b>Potential for additional quick savings</b>		867.667	-	Consider at Budget Ministers 3
<b>Further investigation required as to possible savings</b>		205.586	144.500	Treasury will follow up with agencies on alignment with your priorities
<b>Departmental capability initiatives (subset of above)</b>		94.508	-	Most relate to MBIE or MFE- refer to Independent Rapid Review processes
<b>Not recommended for further investigation</b>		1,705.800	23.990	Confirm your comfort with not investigating further
<b>Tagged contingencies</b>		277.141	200.000	In process

8. Initiatives “not recommended for further investigation” and the rationale behind this is described below.

Reason	Initiatives	Total current baseline value of these initiatives (over 2023/24 to 2026/27- \$ millions)
The Government has made commitments	<ul style="list-style-type: none"> <li>International Climate Finance Commitment for 2022-23</li> <li>Establishing a renewable electricity system on NZ domestic islands</li> <li>Increasing woody biomass supply</li> </ul>	748.5
Ministers have already signalled the level of savings they are comfortable with	<ul style="list-style-type: none"> <li>Government Investment in Decarbonising Industry (GIDI- funding remains for committed projects)</li> <li>Warmer Kiwi Homes (Minister have signalled wish to retain core components)</li> </ul>	837.0
Initiatives are aligned with your priorities	<ul style="list-style-type: none"> <li>Electric Vehicle Charging Infrastructure</li> <li>3D coastal mapping</li> </ul>	144.2

9. There are a number of initiatives where we have signalled further investigation would be required.
- Most of these relate to initiatives involving departmental capability for agencies, most commonly the Ministry for the Environment and the Ministry for Business, Innovation and Employment. Given that Independent Rapid Reviews are planned for both these agencies, Treasury will ask the reviewers to investigate the potential for further savings with these agencies as part of that process.
  - This category also includes capital investment in <sup>[25]</sup> and <sup>[33]</sup>
  - A small number remain, which mainly relate to several initiatives aimed at increasing potential for sequestration, including through native afforestation. This is an area that the government may wish to push further on in the context of efforts to meet New Zealand's Nationally Determined Contribution commitments. For these initiatives, we will follow up with the agencies concerned to better understand current intentions for these initiatives and how well aligned they are with.

## Savings already proposed

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### ***The number of CERF initiatives already in a savings process is higher than we previously thought***

10. Previously, we estimated that around \$651.1 million in savings from initiatives at least partially funded by the CERF was being proposed through Budget 2024. This relied on data submitted from agencies and was a total from savings proposals where departments indicated CERF initiatives were involved. However, several agencies had aggregated savings in their proposals, including both CERF and non-CERF initiatives. After separating out non-CERF initiatives within proposals, this total is closer to \$398.6 million.

11. However, through engagement with Vote teams, we have identified additional CERF initiatives being considered as part of wider savings processes. Several tagged contingencies are also undergoing savings scrutiny as part of the Budget 2024 process.
12. We now estimate that there are approximately <sup>[33]</sup> CERF initiatives in total where savings are in progress or likely. The current funding for these initiatives makes up <sup>[33]</sup> of the total CERF funding in baselines prior to Budget 2024, but in many cases savings proposed will be partial.

***There are limitations to realising additional savings from some of the larger initiatives previously funded from the CERF***

13. We have considered:
  - a how well CERF-funded initiatives align with your Government's priorities
  - b whether funding was yet to be committed or contracted, based on the information available in agency submissions.
14. Many of the larger initiatives funded from the CERF are already being considered as part of the wider savings processes and others have limitations on their potential for further savings.
15. For instance, the largest single initiative is Aotearoa New Zealand's International Climate Finance Commitment 2022-2025, which provided funding for climate finance contributions to developing countries, as part of a headline commitment from New Zealand of \$1.3 billion. For this initiative, there is some potential for savings, but it would carry reputational risks in relation to New Zealand's commitments under the Paris Agreement.
16. There are also several other initiatives where savings potential looks to us to have been largely exhausted, or where the funding looks to align with your priorities. For example, Ministers have already agreed to scale back parts of the Warmer Kiwi Homes programme, but signalled their desire to retain its core elements. While a significant amount of funding remains allocated to the Government Investment in Decarbonising Industry initiative, this reflects decisions taken at the Mini Budget that funding for existing contractual commitments would remain.

## Potential for further savings

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***There are <sup>[33]</sup> initiatives that look the most promising for pursuing additional savings right now***

17. We are still investigating how much funding could be available for savings from these initiatives.
18. Funding originally allocated to these initiatives through the CERF is provided indicatively, but some of this will already be spent or contracted. Ahead of BM3 we will engage with the relevant agency to get up to date information and confirm the implications of further savings. These initiatives include:
  - a **Agriculture Emissions Reduction – Accelerating Development of Greenhouse Gas Mitigations** – This initiative was allocated \$338.8 million at Budget 2022 over the period 2022/23 to 2026/27 to accelerate development and uptake of high impact agricultural emissions mitigation technologies.

[33]

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d

- e **Enhancing Energy Resilience for New Zealand Communities through Distributed Renewable Energy** – This initiative received \$16 million through the CERF in Budget 2022 (*Supporting Renewable and Affordable Energy in New Zealand Communities*). This initiative was also funded at Budget 2023 (\$50 million over 2023/24 to 2026/27) to top up the Community Renewable Energy Fund and support projects related to the deployment of small scale distributed renewable energy and response systems. \$21 million of savings from the small-scale renewable energy and response systems has been put forward, but the remaining allocations to the Community Renewable Energy Fund could possibly be scaled back further (\$29 million).

f [33]

19. We recommend that you leverage your upcoming bilateral meetings with Ministers Brown and McClay respectively to discuss the potential for savings from the energy and agricultural initiatives. We will provide you advice to support those discussions through your bilateral briefings.

***Realising further savings requires engagement with agencies***

20. While further savings from the <sup>[33]</sup> initiatives outlined above are possible, we need to verify our assumptions with agencies since they hold detailed information on expenditure and implementation of initiatives. This is an important step to minimise risk of double counting and to get a realistic sense of feasible savings, given the multiple savings processes at play.

***Our review has also highlighted a number of initiatives that provided funding for departmental capability***

21. Some departments received funding through the CERF for initiatives that supported building departmental capability to progress climate change policy or integrate climate change considerations within their core work programmes. The Ministry for Environment (MfE) and the Ministry for Business, Innovation and Employment (MBIE) in particular received funding for a number of initiatives.
22. These initiatives could be investigated for further savings, but we do not necessarily have good visibility of whether agencies are already intending to reprioritise this funding as part of their overall plan for meeting their savings target, and therefore do not recommend considering them in isolation. We would suggest options for further savings from departmental capability are best considered within the overall context of the scale of savings you are seeking from these agencies.
23. Since MfE and MBIE are both proposed for an Independent Rapid Review, we intend to provide the findings of our review to the relevant Panel to inform their inquiries.
24. There are some remaining initiatives where further investigation would be required to confirm the potential for further savings. A number of these relate to initiatives on native afforestation or carbon sequestration, which could be aligned to your priorities. Based on this, we do not recommend progressing further savings on these at this time, but we will follow up with relevant agencies on alignment with your priorities.

***Legal obligations***

25. The Government has statutory obligations under the Climate Change Response Act (CCRA), which are relevant considerations when assessing savings decisions on climate-related initiatives. We will follow-up on the impacts of potential decisions through the Budget process.

## Next Steps

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***We recommend you pursue opportunities for further savings from CERF initiatives through the Budget 2024 process***

26. Treasury will follow-up with agencies on the potential for additional savings from the six initiatives listed above in paragraph. We will provide options for consideration and decisions at BM3.
27. We will also follow up further on other initiatives as indicated above.