

The Treasury

Budget 2017 Information Release

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[40]	Not in scope	

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Reference: T2017/489

DH-36-0

Date: 3 March 2017

To: Minister of Finance (Hon Steven Joyce)
Associate Minister of Finance (Hon Simon Bridges)

Deadline: Ministers meeting Tuesday, 7 March 2017 at 7.30pm – 8.30pm

Aide Memoire: Business Growth Agenda Natural Resources Budget 2017

Purpose

The purpose of this Aide Memoire is to provide you with Treasury's advice on the Natural Resource Sector (NRS) Budget package prior to your meeting with Ministers on the relative priority of Budget 2017 initiatives that relate to the Natural Resources Business Growth Agenda (BGA) workstream on Tuesday, 7 March 2017.

We have previously provided you with an initial assessment of all Budget initiatives in the NRS workstream (T2017/172 refers). Since the last BGA NRS Ministerial meeting, NRS agencies have developed a prioritised package for consideration. This aide memoire provides advice on the prioritised package.

Natural Resources Sector Prioritised Package

The total amount of funding originally sought from NRS agencies totalled ^[33] million operating over the next four years and ^[33] million of capital expenditure (capex). The revised, prioritised package seeks ^[33] million operating over the next four years and ^[33] million of capex.

NRS agencies have prioritised two focus areas for investment: marine and climate change. These have been prioritised due to the longstanding underinvestment in the marine domain and potential for future growth in this area, and the fiscal liabilities relating to our 2030 climate change target.

A breakdown of this package is provided in Appendix 1 (and has been provided separately for discussion at the BGA NRS Minister Meeting on March 7).

Treasury Advice

We commend the efforts of NRS agencies to prioritise the package. Our views on their priorities are outlined below. Note that our advice is based on the information included in NRS's prioritised package, we have not received any additional information from agencies on their initiative since the previous BGA NRS Ministers meeting.

Marine

We are generally supportive of the investment proposition to modernise the enforcement of the fisheries system and allow for more innovation in fishing techniques. Greater certainty about marine protection should also improve investment activity and focus resources and community attention on where protection would be most valuable.

We consider that funding these initiatives would be suitable for investment, should Ministers decide to fund this area. The revised funding sought for these initiatives is [33] million operating over the next four years. [33]

Climate

[33]

[33]

NRS agencies have also integrated the *Emissions Reduction at Home* initiative into the [33] You may want to ask at the BGA NRS Ministers meeting how much funding has been incorporated into the wider initiative. At this time, a significant amount of policy work is underway across Government and in partnership with key sectors around the ETS Review. We consider that this work should be delivered first, and the *Emissions Reduction at Home* initiative can be delivered once resources are freed up at the end of the ETS review. This project can then be delivered within baselines. There are no material risks from delaying the delivery of this work.

Other priorities

Of the other priorities outlined in the prioritised package we consider the following areas would be suitable for investment, should Ministers decide to fund this area:

- **Irrigation:** investment is key to the Government's commitment to improving primary sector productivity (\$26.7 million operating over the next four years and [33] million capex)
- **Battle for our Birds:** inaction in this area would undermine investment in previous Budgets as well as the Government's commitment to a Predator Free New Zealand by 2050 (\$21.3 million operating in the current financial year).

[33]

[33]

[33]

Appendices

There are two appendices attached to this document.

- Appendix 1: an overview of the NRS prioritised package.

[33]

[34]

Libby Masterton, Manager, Natural Resources ^[39]

Appendix 1: Natural Resources Sector Prioritised Package

Marine: New Zealand realises the full potential of its marine resources in a sustainable and innovative way

The initiatives under this area focus on modernising existing regimes to ensure appropriate governance mechanisms and regulatory enforcement tools are in place to enhance use and protection of our marine environment. The prioritised marine package is broken down as follows:

Initiative	Originally Sought	Scaled Funding	Reduction
Marine Growth and Protection	[33]		
Future of Fisheries			
Marine Protection and Development			

Climate: New Zealand is a more productive, low emissions economy that is resilient to a changing climate

The initiatives under this workstream focus on interventions to [33] transitioning to a low carbon economy. The total amount of funding sought for the [33] in this area was [33] million operating over the next four years.

[33]

Other NRS Priorities

Natural resource agencies have prioritised a number of other initiatives which they consider need funding to build for the future, as well as those considered pre-committed or with low levels of discretion.

Initiative	Originally Sought	Scaled Funding	Reduction
Building for our Future (Total)	[33]		
[33]			
Pre-Committed/Low Discretion	48.0 (opex)	48.0 (opex)	
	[33] (capex)	[33] (capex)	[33] (capex)
Grants for Regional Irrigation Scheme Development	26.7	26.7	-
Investment in Irrigation Schemes	[33] (capex)	[33] (capex)	[33] (capex)
Battle for our Birds	21.3	21.3	-

