

The Treasury

Budget 2011 Information Release

Release Document

June 2011

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**OFFICE OF THE ACTING
MINISTER OF ENERGY AND RESOURCES**

The Chair
CABINET

**FUNDS TRANSFER BETWEEN VOTE ENERGY: BIODIESEL GRANTS SCHEME
AND VOTE ENVIRONMENT: FRESH START FOR FRESH WATER FUND**

PROPOSAL

1 This paper seeks agreement to transfer \$15 million from the Biodiesel Grants Scheme to a new Vote Environment appropriation for the Fresh Start for Fresh Water Fund for the two years 2011/12 and 2012/13.

BACKGROUND

2 Cabinet invited the Ministers of Environment, Agriculture and Forestry, and Energy and Resources to consider whether suitable sources of funding can be identified in order to fund the Fresh Start for Fresh Water Fund [EGI Min (11) 4/5 confirmed by CAB Min (11) 12/8]. Decisions need to be made prior to Monday 11 April 2011, in order to be included in this year's budget and the Estimates of Appropriations.

3 There are three initiatives in the first stage of the Fresh Start for Fresh Water programme: the National Policy Statement on Freshwater Management; an Irrigation Infrastructure Fund; and a Fresh Start for Fresh Water Fund (a contestable fund to address legacy water contamination). While these are being progressed separately, given the recommendations of the Land and Water Forum and the manner in which stakeholders are viewing water management as needing to be more integrated, the progression of these three initiatives needs to move forward together as a package.

4 Following discussions between Ministers it is proposed that \$15 million be transferred from the Biodiesel Grants appropriation under Vote Energy to Vote Environment to meet the costs of the first two years of the Fresh Start for Fresh Water Fund.

FINANCIAL IMPLICATIONS

5 The Biodiesel Grants Scheme (which provides support for domestic biodiesel manufacturing by offering a comparable incentive to that already offered to bioethanol) is likely to be underspent in 2010/11 by \$9 million. This has been due to slow (but increasing) uptake from the existing small-scale biodiesel producers and little new investment in capacity due to the relatively limited (three-year) duration of the scheme.

6 The Acting Minister of Energy and Resources and the Minister for the Environment have agreed to recommend to Cabinet that a transfer between their

respective Votes is appropriate given the expected impact of the fresh water measures for the economy and environment.

7 It is proposed to establish a new Non-departmental Other Expense appropriation titled “Fresh Start for Fresh Water Fund” in Vote Environment.

8 It is proposed that the scope of this new appropriation in the Estimates is to read “This appropriation is limited to the clean-up of New Zealand’s freshwater water bodies arising from historical contamination.” It is proposed to transfer \$9 million in 2010/11 and \$6 million in 2011/12 from the Biodiesel Grants scheme to the Fresh Start for Fresh Water Fund. This transfer is fiscally neutral with no impact on the operating balance.

CONSULTATION

9 This paper was prepared by the Ministry of Economic Development. The following departments have been consulted and informed during the preparation of this proposal: Ministry for the Environment; Ministry of Agriculture and Forestry; and the Treasury. The Department of Prime Minister and Cabinet have been informed.

HUMAN RIGHTS

10 There are no human rights implications.

LEGISLATIVE IMPLICATIONS

11 This proposal will be implemented as part of the Supplementary Estimates for 2010/11 and the Appropriations Bill 2011.

REGULATORY IMPACT ANALYSIS

12 Regulatory Impact Analysis is not required.

PUBLICITY

13 The transfer will be announced as part of Budget 2011.

RECOMMENDATIONS

14 It is recommended that Cabinet:

- 1 **Note** that the Biodiesel Grants Scheme is likely to be under spent by \$9 million in 2010/11 and that only a small increase in uptake is expected in 2011/12.
- 2 **Note** that Joint Ministers have agreed that a transfer between Vote Energy and Vote Environment is appropriate given the expected impact of the fresh water measures for the economy and environment.
- 3 **Agree** to establish a new Non-Departmental Other Expense appropriation “Fresh Start for Fresh Water Fund” in Vote Environment.

- 4 **Agree** that the scope of this appropriation be “This appropriation is limited to the clean-up of New Zealand’s freshwater water bodies arising from historical contamination.”
- 5 **Approve** the following changes to appropriations to provide for the establishment of the Fresh Start for Fresh Water Fund, with no impact on the operating balance:

	\$m – increase/(decrease)				
	2010/11	2011/12	2012/13	2013/14	2014/15 and Outyears
Vote Energy Minister of Energy and Resources					
Non Departmental Other Expense: Biodiesel Grants	(9.000)	(6.000)	-	-	-
Vote Environment Minister for the Environment					
Non Departmental Other Expense: Fresh Start for Fresh Water Fund	-	7.500	7.500	-	-
Total Operating	(9.000)	1.500	7.500		-

- 6 **Agree** that the proposed changes to appropriations for 2010/11 above be included in the 2010/11 Supplementary Estimates.
- 7 **Agree** that funding for outyears is to be subject to a future budget round discussion.

Hon Hekia Parata
Acting Minister of Energy and Resources

Date signed: _____