



Cabinet

Minute of Decision

McGuinness Institute title:
[CAB-18-MIN-0379.01] The One
Billion Trees Programme: Actions
and Decisions for Implementation

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The One Billion Trees Programme: Actions and Decisions for Implementation

Portfolio **Forestry**

On 13 August 2018, following reference from the Cabinet Economic Development Committee (DEV), Cabinet:

Background

- 1 **noted** that the One Billion Trees programme is designed to get the right tree in the right place to deliver a range of benefits, including climate change mitigation, regional economic development, erosion control, ecological and landscape restoration, and skills and workforce development;
- 2 **noted** that the proposed Provincial Growth Fund commitment for the One Billion Trees programme over the next three years will be up to \$481.4 million, comprising:
 - 2.1 \$245.000 million already approved in Budget 2018;
 - 2.2 \$30.700 million of funds already allocated within the Ministry for Primary Industry's baseline;
 - 2.3 \$21.900 million of funds transferred for partnerships projects already approved by the Provincial Growth Fund;
 - 2.4 \$183.768 million as a pre-commitment charged against Budget 2019;
- 3 **noted** that the paper under DEV-18-SUB-0158 seeks agreement to \$237.528 million operating funding, as follows:
 - 3.1 \$3.155 million operating for the purpose of administration costs, which will be appropriated;
 - 3.2 \$234.373 million operating to be placed in a tagged contingency, which Ministers will draw down to fund a grant scheme s 9(2)(f)(iv) and partnership fund;
- 4 **noted** that, factoring in existing Te Uru Rākau baseline funding for tree planting and potential additional government funding for grants and partnerships beyond the next three years, the total cost of the One Billion Trees programme could be up to \$900 million;

- 5 **noted** that the total estimated cost for the One Billion Trees programme is dependent on the impact of proposed regulatory changes and commercial business-as-usual tree planting, and that if these are particularly successful, the cost could drop well below \$900 million;
- 6 **noted** that, as the Provincial Growth Fund is intended for the current term of government, it is appropriate that expenditure for financial years after 2020/21 count towards the Fund only if it is:
- 6.1 a direct result of asset ownership decisions implemented during the current term of government (such as capital maintenance or spending on trimming Crown-owned trees planted during the current three-year term); or
- 6.2 a funding commitment to a multi-year programme that includes financial years covered by the current term of government (such as funding commitments to multi-year grant programmes);
- 7 **noted** that it is not generally appropriate to count spending beyond 2020/21 towards the Provincial Growth Fund if the spending is not directly consequential on expenditure incurred during the current three-year term;
- 8 **noted** that in the event that One Billion Trees grants and partnerships funding as outlined in paragraphs 14 and 23 below is not fully allocated to suitable projects, this funding will be available to the Provincial Growth Fund for opportunities elsewhere;

Hill Country Erosion Programme: outyears funding

- 9 **noted** that, as part of Budget 2018, Cabinet approved \$118.971 million operating funding for the financial years 2018/19 to 2027/28, which counted against the \$1 billion Provincial Growth Fund for 2018/19 for the initiative "1 Billion Trees – Planting more trees and Hill Country Erosion Programme expansion", including \$40.260 million for grant expenditure and administration in the financial years 2023/24 to 2027/28 [CAB-18-MIN-0158.03 and CAB-18-MIN-0158.13];
- 10 **agreed** to rescind the part of the Budget 2018 decision that approved Hill Country Erosion Scheme grant expenditure in the financial years 2023/24 and outyears;
- 11 **approved** the following changes for the Hill Country Erosion Programme:

	Sm – increase/(decrease)					
Vote Forestry Minister of Forestry	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Growth and Development of the Forestry Sector MCA Departmental Output Expenses Forestry: Administration of Grants & Programmes	-	-	-	-	-	(0.252)
Non Departmental Other Expenses Forestry: Hill Country Erosion Fund	-	-	-	-	-	(7.800)
Total Operating	-	-	-	-	-	(8.052)

- 12 **agreed** that the rescinded amount of \$40.260 million relating to financial years 2023/24 to 2027/28, which was counted against the Provincial Growth Fund, be used towards funding the tagged contingency sought in paragraph 26 below;

- 13 **noted** that paragraph 12 above has a \$40.260 million impact on the operating balance for 2018/19, and increases net core Crown debt by this amount;

Grants

- 14 **agreed in principle, subject to** decisions from delegated Ministers (Minister of Forestry, Minister for the Environment, Minister for Climate Change, and Minister of Finance), to establish a new tree planting grants scheme operating over three years and that targets approximately two-thirds of planting in indigenous species;
- 15 **agreed** that the objectives for the new grants scheme be to increase the rate of tree planting to deliver:
- 15.1 reduced erosion;
 - 15.2 improved water quality;
 - 15.3 regional development;
 - 15.4 development of Māori-owned land where there are barriers to privately funded tree planting;
 - 15.5 biodiversity through the restoration of natural forests;
 - 15.6 diversification of productive land uses, including through indigenous forestry and continuous canopy forestry;
- 16 **agreed in principle, subject to** decisions from delegated Ministers (referred to in paragraph 14 above), that the new grants scheme will have different rates for different categories of tree planting;
- 17 **noted** that the Minister of Forestry intends to transition the current Afforestation Grants Scheme to the new grants scheme, with any uncommitted funds reallocated to the new scheme;
- 18 **agreed** that applicants to the 2018 round of the Afforestation Grant Scheme be considered under the new grants scheme;
- 19 s 9(2)(f)(iv) [REDACTED]
- 20 **noted** that the Minister of Forestry has asked officials to:
- 20.1 have the new grants scheme operating from the last quarter of 2018;
 - 20.2 continue operating the existing Hill Country Erosion Programme and Erosion Control Funding Programme with their current objectives and delivery mechanisms;
 - 20.3 align the Erosion Control Funding Programme grants for planting with the new grants scheme;

- 21 **directed** officials, led by Te Uru Rākau, to provide further advice to the Minister of Forestry, other Forestry Ministers (Environment, Climate Change, Conservation, Agriculture, and Associate Forestry) and the Minister of Finance on:
- 21.1 whether to allow earlier entry for new grant-funded forests into the New Zealand Emissions Trading Scheme (if eligible);
 - 21.2 the grant categories, criteria and rate ranges for the new grants scheme;
 - 21.3 the operational design and mechanisms to deliver the new grants scheme, which may include through third parties who are engaged in delivering improved land management and freshwater outcomes;
- 22 **noted** that officials will provide further advice in the December 2018 report back to Cabinet on whether additional changes are needed to provide the appropriate incentives for riparian planting along waterways;

Partnerships

- 23 **agreed in principle, subject to** decisions from delegated Ministers (referred to in paragraph 14 above), to establish a One Billion Trees partnership fund operating over three years to provide financial support for key one billion tree planting enablers;
- 24 **noted** that \$13.500 million was set aside as a tagged contingency in Budget 2018 as part of the Provincial Growth Fund to help fund the planting of indigenous trees on suitable land in 2018/19 and 2019/20;
- 25 **directed** officials, led by Te Uru Rākau, to provide advice to the Minister of Forestry, other Forestry Ministers (Environment, Climate Change, Conservation, and Agriculture) and the Minister of Finance on:
- 25.1 the criteria for making funding decisions from the partnership fund;
 - 25.2 the operational design of the fund and mechanisms to deliver the fund, which may include delivering through third parties who are engaged in delivering improved land management and freshwater outcomes;

Tagged contingency and delegated authority

- 26 **agreed** to establish a tagged contingency of \$234.373 million operating as set out in the table below, for the purpose of funding a grant scheme and partnership fund as set out in paragraphs 14 and 23 above, with a corresponding impact on the operating balance:

	\$million – Increase/(decrease) on operating balance			
Forecast fiscal impact	2018/19	2019/20	2020/21	2021/22
One Billion Trees Grant Scheme and Partnership Tagged Contingency	50.618	84.152	97.879	1.724

- 27 **noted** that the above contingency is currently projected to fund the following activities, but that the final amounts allocated to the areas described below may change depending on the decisions of Ministers with delegated authority (as referenced in paragraphs 28 and 29 below):
- 27.1 \$103.068 for grant schemes s 9(2)(f)(iv)
- 27.2 \$111.48 for the partnership fund;
- 27.3 \$19.825 for administration costs;
- 28 **authorised** the Minister of Forestry, the Minister for the Environment, the Minister for Climate Change and the Minister of Finance to draw down the tagged contingency for the purpose of funding grant schemes, when those Ministers have agreed:
- 28.1 grant categories, and criteria (including whether to allow earlier entry for new grant-funded forests into the New Zealand Emissions Trading Scheme);
- 28.2 rates and ranges for grant rates; and
- 28.3 that the proposed grant scheme aligns the objectives governing the scheme as stated in paragraph 15 above, and takes into account the objectives of the Provincial Growth Fund;
- 29 **authorised** the Minister of Forestry, the Minister for the Environment, the Minister for Climate Change and the Minister of Finance to draw down the tagged contingency for the purpose of funding a partnership fund, when those Ministers have agreed:
- 29.1 the operational design and criteria for the partnership fund; and
- 29.2 that the operational design and criteria for the partnership fund are sufficiently aligned with the objectives of the Provincial Growth Fund;
- 30 **agreed** that \$234.373 million of the operating expenses incurred in paragraph 26 above be funded from the following:
- 30.1 \$40.260 million from the rescinded Hill Country Erosion Programme, as agreed in paragraph 10 above;
- 30.2 \$13.500 million from the drawdown of the native planting contingency noted in paragraph 24 above;
- 30.3 \$180.613 operating expenses, to be charged as a pre-commitment against the operating allowance for Budget 2019;
- 31 **agreed** that the amount charged to the Budget 2019 operating allowance incurred above (\$180.613 million) count against the \$1 billion per annum Provincial Growth Fund for 2019;
- Appropriations to enable design and implementation work**
- 32 **agreed** to fund the initial administration costs of establishing the new grants and partnership fund operational framework, at a cost of \$3.155 million operating in 2018/19;

- 33 **approved** the following changes to appropriations to provide for the work agreed in paragraph 32 above, with a corresponding impact on the operating balance:

Vote Forestry Minister of Forestry	\$m – increase/(decrease)			
	2018/19	2019/20	2020/21	2021/22 & outyears
<i>Multi-Category Expenses:</i> Growth and Development of the Forestry Sector MCA				
Departmental Output Expenses: Forestry: Administration of Grants and Programmes	3.155	-	-	-
Total Operating	3.155	-	-	-

- 34 **agreed** that the operating expenses incurred in paragraph 33 above, be charged as a pre-commitment against the operating allowance for Budget 2019;
- 35 **agreed** that the changes to appropriations for 2018/19 be incorporated into the 2018/19 Supplementary Estimates, and in the meantime, the additional expense to be met under Imprest Supply;
- 36 **agreed** that the amount pre-committed against Budget 2019 above count against the \$1 billion per annum Provincial Growth Fund for 2019;

Joint ventures

- 37 **noted** that in December 2017, Cabinet extended the mandate of Te Uru Rākau's Crown Forestry Unit so that Crown Forestry may enter into new commercial arrangements (including lease and joint venture contracts) to develop plantation forests on privately-owned land [CBC-17-MIN-0061];
- 38 **noted** that \$13.16 million (plus out-years funding of \$34.20 million) has already been allocated (as a pre-commitment against Budget 2018) to joint ventures for four million trees and seedling orders, and that \$15.4 million (plus out-years funding of \$214 million) has been allocated to joint ventures for 20 million trees from Budget 2018 [CBC-17-MIN-0061, CAB-18-MIN-0158.03 and CAB-18-MIN-0158.13];
- 39 **directed** officials to provide advice to Cabinet on the role of joint ventures beyond 2019, by December 2018;

Delegations

- 40 **noted** Cabinet's previous decision that the Minister of Forestry will be delegated responsibility for delivering the One Billion Trees programme, including accountability for use of allocated funds, in consultation with relevant Ministers (primarily Finance, Environment, Climate Change and Conservation) [CAB-18-MIN-0045];
- 41 **agreed** to delegate powers to the Minister of Forestry, the Minister for the Environment, the Minister of Climate Change and the Minister of Finance, in consultation with the other Forestry Ministers, to approve:
- 41.1 the grants scheme, as outlined in paragraph 14 above;
- 41.2 the partnership fund, as described in paragraph 23 above;

- 42 **noted** that the Minister of Forestry intends to delegate powers to the Director-General of the Ministry for Primary Industries, in consultation with other relevant departments, to approve operational design settings and grant rates within the parameters set by the Minister of Forestry, Minister for the Environment, Minister for Climate Change and Minister of Finance;
- 43 **agreed** that the Director-General of the Ministry for Primary Industries be delegated approval of grants to applicants, within the grant rate ranges approved by Ministers and not exceeding \$2 million per application;
- 44 **noted** that delegations for approval of grants are consistent with delegations for existing afforestation grants;
- 45 **agreed** to the following delegations in respect to decision making on individual projects through the partnership fund:
- 45.1 the Director-General of the Ministry for Primary Industries: up to \$2 million;
 - 45.2 the Minister of Forestry, the Minister for the Environment, and the Minister of Finance, in consultation with other Forestry Ministers: between \$2 million and \$20 million;
 - 45.3 Cabinet: for projects over \$20 million;
- 46 **noted** that officials will develop criteria to make it clear which agency should assess new Provincial Growth Fund applications that have outcomes spanning the One Billion Trees programme and the wider Provincial Growth Fund;
- 47 **agreed** that the Director-General of the Ministry for Primary Industries has the authority for one billion trees projects to:
- 47.1 decline any applications that clearly do not meet eligibility criteria (including that organisations or individuals must meet a fit and proper person test);
 - 47.2 decline any applications that have significant gaps that make approval by a delegated decision-maker unlikely;

Previous Cabinet decisions

- 48 **noted** that Cabinet has previously made decisions on:
- 48.1 allowing non-standard forestry proposals to continue to be considered under the Provincial Growth Fund [CAB-18-MIN-0045];
 - 48.2 when referral of forestry proposals to the Independent Advisory Panel may be appropriate [CAB-17-MIN-0554 and CAB-18-MIN-0045];
 - 48.3 the structure and funding relationship between the One Billion Trees programme and the Provincial Growth Fund [CAB-17-MIN-0554, CAB-18-MIN-0045 and Budget 2018];
- 49 **noted** that the proposals in the paper under DEV-18-SUB-0158 are consistent with the previous decisions referred to above;

Engagement

- 50 **noted** that Te Uru Rākau has engaged with key sector groups on the matters covered in the paper under DEV-18-SUB-0158;
- 51 **noted** that feedback from this engagement will be reflected in subsequent advice to Ministers on the design of grants and partnerships;
- 52 **noted** that there will be further engagement, including consultation as part of Te Uru Rākau's proposed Forestry Strategy development process, scheduled for later in 2018;

General

- 53 **noted** that the Associate Minister of Forestry will bring a paper to DEV shortly which sets out a Forestry Workforce Programme to implement the capability building aspects of the One Billion Trees strategy;
- 54 **noted** that development of the Forestry Workforce Programme is being led by the Ministry for Primary Industries, but will require the support of and co-ordination with a range of agencies, including the Ministry of Social Development, Ministry of Business, Innovation and Employment, Ministry of Education, Ministry of Corrections and Te Puni Kōkiri;
- 55 **noted** that the paper under DEV-18-SUB-0158 and the associated minute (with any commercially sensitive information redacted) will be proactively released after decisions are taken;
- 56 **noted** that the Minister of Forestry will announce Cabinet's decisions relating to the paper DEV-18-SUB-0158.

Michael Webster
Secretary of the Cabinet

Secretary's Note: This minute replaces DEV-18-MIN-0158. Cabinet added a new paragraph 54.

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister of Forestry