



Was Budget 2020 a missed opportunity?

MAY 2020



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There's no question that helping the economy stabilise and recover was the first and pressing priority for the government, and the predominance of the ongoing COVID-19 support package was no surprise. But equally there can surely have been few greater opportunities than this to act boldly on the climate crisis, and for now, at least, that appears to be a missed opportunity.

Prior to the COVID-19 pandemic reaching our shores, Grant Robertson had promised that responding to the existential threat of climate change would be a key Budget priority. Some media commentators had described the opportunity to address climate change in Budget 2020 as the current generation's 'nuclear-free moment'. Viewed through this lens, the Budget 2020 will go down as a major

disappointment. There was little funding for green investment or any kind of commitment to investing in technology or targeted research to speed up the road to a low emissions economy.

Although containing a \$1.1b package for broader environmental initiatives such as pest control and biodiversity protection, there were no major fiscal packages targeted specifically at climate change. It is possible that some of the larger packages announced (such as the unallocated \$20b recovery fund) may be used for infrastructure projects that have positive climate benefits (such as public transport). However, the future demand for major public transport projects in particular may be less in the immediate future as we learn to travel in the age of physical distancing.

The budget allocated no obvious commitment to either climate change or the transition to a low emissions economy. It is unclear how the budget improves New Zealand's ability to address climate change nor aligns with those previous overarching objectives. The \$1b environmental jobs announcement appears to focus on funding smaller regional and local initiatives rather than longer term initiatives to work toward NZ's drive to become a low-emissions economy.

The lack of fiscal support for climate change initiatives may be compounded by a wider slow-down in the Government's regulatory work programmes, as the priorities of the public service change. This may see previous initiatives such as proposed mandatory climate-related financial disclosure being postponed. The Government will tread very carefully before adding compliance costs on New Zealand's struggling businesses.

One ray of light may be the Government's Green Investment Finance Fund. Established in May 2018 with an initial NZD\$100m of capital, the Fund has an express mandate to invest on a commercial basis in projects that directly or indirectly lower emissions. The Fund has not publicly disclosed any investments to date, although its mandate did not require it to make any until the end of 2019. This Fund may end up being a politically attractive way to allocate taxpayer money to projects with clear climate benefits. It will avoid the obvious political challenges that would come with carbon taxes or other measures that lead to increases in costs for the average consumer. What is unclear for now is whether there are enough domestic projects within the Fund's mandate for it to be able to deploy its capital to the fullest extent possible and, if so, whether the Government will be open to further cash injections into the Fund.

There is no suggestion that infrastructure improvements will have to take climate change into account, or at least, have a low-emissions focus (or even try to). Will the remaining \$20 billion be spent in ways that initiate moves towards meaningful structural change and a just transition? Or is it more likely that the unallocated funding is required to simply hold the economy together in its present state? For now there seems to be a missing step here.

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