

Making the most of those billions. Opportunities for a more sustainable economy

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Marija Batistich
Partner



Nick Beresford
Associate

The New Zealand Government currently stands in a unique position with regard to rebuilding the economy. What the 'new normal' will look like once the COVID-19 crisis has passed is slowly taking shape with the Government rolling out initiatives to help businesses deal with the crisis. Proposed legislation announced last week that will largely bypass the Resource Management Act 1991 ('RMA') is one such example. This new process will allow projects to benefit from faster consenting, with the aim of boosting the economy. The Environment Minister indicated that the sorts of projects which stand to benefit from quicker consenting include roading, walking and cycling, rail, housing and new wetland construction. If there is one thing that this crisis has shown, it is that the Government has an opportunity to respond in a meaningful way in determining the form of the kick start to the economy.

New Zealand's response to the crisis thus far has largely been one of national unity, showing the extent to which we value the health of our population. Economic stimulus is about choice and moving quickly to use this opportunity to steer economic growth in a direction that provides for long term health and good environmental outcomes.

An example of initiatives already underway are the 55 biosecurity and conservation projects the Government has allocated \$3 million. These projects will provide work for up to 160 people who have lost their jobs as a result of COVID-19, and largely focus on the removal of wildling pines which are a threat to farmland, waterways and ecosystems.

The Government launched a \$100 million green investment fund in 2018 with the aim of boosting investments in low-emission schemes and technology. Although launched in 2018, investment by the fund was not expected until late 2019 at the earliest. It will be interesting to see whether it is possible to expedite use of this fund to assist with the rebuild. Unlike typical investment funds, its primary purpose is not profit maximisation, instead considerable value is placed on the externalities associated with its financing activities.

Providing incentives for business to become more sustainable could be another option for targeted rebuild money. Government loans or grants earmarked for research and development of sustainable technologies could be one way of providing such incentive. For example, each year Sweden spends a percentage of its GDP on government environment and energy research and development. In New Zealand, the Energy Efficiency and Conservation Authority (EECA) works with private and public sector organisations to identify and take advantage of opportunities for sustainable growth. EECA provides

funding for large energy users to put in place initiatives such as an energy management plans. With increased funding and a wider scope, EECA could leverage their existing operations to assist with the rebuild.

All eyes will be focused on whether the Government deploys the tax system to encourage new ways of working, and the move to a low-emissions economy more generally. Small steps have been taken in this regard already, such as Inland Revenue's clarification of the circumstances where employers can make tax-free payments to employees to reimburse the costs of remote working. However, it is possible we could see much bolder and wide-ranging steps in this regard. New Zealand's tax system reflects our historic dependence on the private motor vehicle, including concessionary fringe benefit tax treatment for work-related vehicles and car parks provided to employees.

Although the proposed 'feebate' for electric vehicles was blocked by New Zealand First earlier this year, we may see subsidies or tax relief aimed at electric vehicles or other forms of green infrastructure and technology, such as solar energy.

Although it involves a number of political trade-offs, the tax system can play an important part in combating the existential threat of climate change by disincentivising investment in traditional high-emissions activities, and encouraging investment into low-emissions activities.

It will be interesting to see how the Government's stimulus takes shape over the next few months. It is essential to restore demand, and there is no reason this cannot be done in an innovative and sustainable way that will create a more resilient economy than the one we have left behind.

Key contacts



Marija Batistich

Partner

D +64 9 375 1187

M +64 21 190 2818

E marija.batistich@dentons.com



Nick Beresford

Associate

D +64 9 375 1150

M +64 21 241 1322

E nick.beresford@dentons.com



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