



## Policy costing

### Keep our oceans healthy, save our Great Barrier Reef and end deforestation in Australia

Party:

Australian Greens

#### Summary of proposal:

This proposal has two components related to environmental protection.

- Component 1: Reef funding

This component would return to the Commonwealth Government all uncontracted funding, including that committed but not yet contracted, from the \$443.4 million grant provided to the Great Barrier Reef Foundation in 2017-18. The returned funding would be expensed by 30 June 2024 on the following activities.

- A minimum of \$45 million for the Great Barrier Reef Marine Park Authority to expend on their own activities.
- A minimum of \$45 million to the Australian Institute of Marine Science.
- A minimum of \$200 million to improve farming practices and repair reef catchments, and setting legal caps on water pollution by catchment.

Funding would be spread evenly over five years. If the total unspent funds from the Foundation exceeded the minimum amounts specified, any remaining funds would be spread evenly across the three activities.

- Component 2: End deforestation

- Element 1: Negotiate with the states and territories to end native clearing. The Commonwealth Government would not fund any compensation payments to affected landholders.
- Element 2: Provide \$20 million from 2019-20 to 2022-23 to fund the research and development of sustainable wood products. Departmental expenses would be included within this capped amount.

The proposal would commence on 1 July 2019.

## Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by \$69.3 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in non-taxation revenue of \$446.5 million, an increase in administered expenses of \$336.7 million, and an increase in departmental expenses of \$40.5 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is provided at [Attachment A](#). Component 1 of this proposal would also be expected to have an impact in 2023-24.

The financial implications of Component 1 are extremely sensitive to the value of uncontracted funds available at 1 July 2019. The Department of the Environment and Energy provided contracted and uncontracted funding (inclusive of interest) from the grant as at 31 December 2018, as reported by the Great Barrier Reef Foundation in its first progress report to the Department. The financial implications are also sensitive to the rate of interest earned by the Foundation. The financial implications of Component 2 are certain.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	<b>Total to 2022–23</b>
Fiscal balance	352.2	-94.3	-94.3	-94.3	<b>69.3</b>
Underlying cash balance	352.2	-94.3	-94.3	-94.3	<b>69.3</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

## Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing Component 1 of the proposal.

- Uncontracted funds from the Great Barrier Reef Foundation grant as at 1 July 2019 would be returned to the Commonwealth Government. As per the partnership agreement, the grant amount, and therefore the amount returned, would include interest.
- Uncontracted funds from the Great Barrier Reef Foundation grant as at 1 July 2019 would be equal to uncommitted funds as at 31 December 2018, plus earmarked funds based on public announcements up to 14 March 2019, adjusted for projected new contractual commitments and interest earnings at an annual rate of 3.7 per cent.
  - Projected new contractual commitments over the six-month period from 1 January to 1 July 2019 would be \$3.3 million. This is equal to contractual commitments made from June to December 2018.
  - New commitments are assumed to have been made halfway through the six months from 1 January to 1 July 2019. As a result, interest earnings for the second half of this period would be lower as the uncommitted funds would be adjusted by the new contractual commitments.
  - The interest earned is consistent with the implied rate of return earned by the Great Barrier Reef Foundation on its bank deposits in 2017, according to the Foundation’s 2017 annual report.
- The Great Barrier Reef Foundation would return all uncommitted funds from the grant to the Commonwealth Government in 2019-20.
- The departmental expenses for the Great Barrier Reef Marine Park Authority to administer the activities using the returned funding from the Great Barrier Reef Foundation grant would be 11 per cent of the total funding. This is consistent with the share of departmental expenses reported for Program 1.1: Sustainable Management of Natural Resources and the Environment in the 2019-20 Portfolio Budget Statements for the Environment and Energy Portfolio.

## Methodology

### Component 1: Reef funding

The financial implications were estimated by projecting uncontracted funds from the grant as at 1 July 2019 as described in *Key assumptions*, and returning this funding to the budget in 2019-20, to be redirected evenly across the five years from 2019-20 for proposed policy purposes specified by the requestor.

### Component 2: End deforestation

The financial implications are equal to the specified capped amount. Departmental expenses to administer the proposal were based on similar-sized programs.

Figures have been rounded to the nearest \$100,000.

## Data sources

The Department of the Environment and Energy provided funding data on contracted and uncontracted funds from the grant to the Great Barrier Reef Foundation, as at 31 December 2018.

Department of the Environment and Energy, 2019. *Portfolio Budget Statements 2019-20 Budget Related Paper No. 1.6* [Online] Available at:

<https://www.environment.gov.au/system/files/resources/c47f29fd-f85e-4789-af69-6b26630b8f4d/files/2019-20-pbs.pdf> [Accessed 04.04.2019].

Department of the Environment and Energy, 2018. *Grant agreement between the Reef Trust and Great Barrier Reef Foundation* [Online] Available at:

<http://www.environment.gov.au/system/files/resources/4322207b-af9c-488f-b6bd-89dbf4af8302/files/reef-trust-gbr-foundation-grant-agreement-20180627.pdf> [Accessed 04.04.2019].

Great Barrier Reef Foundation, 2018. *Annual report for the year ended 31 December 2017* [Online]

Available at: <https://www.barrierreef.org/uploads/2017%20Annual%20Report.pdf> [Accessed 04.04.2019].

## Attachment A – Keep our oceans healthy, save our Great Barrier Reef and end deforestation in Australia – financial implications

**Table A1: Keep our oceans healthy, save our Great Barrier Reef and end deforestation in Australia – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
<b>Revenue</b>					
<b>Total – revenue</b>	<b>446.5</b>	-	-	-	<b>446.5</b>
<b>Expenses</b>					
<i>Administered</i>					
<i>Component 1 – Reef funding</i>	-79.5	-79.5	-79.5	-79.5	-317.9
<i>Component 2 – End deforestation</i>	-4.4	-4.8	-4.8	-4.8	-18.8
<b>Total – administered expenses</b>	<b>-83.9</b>	<b>-84.3</b>	<b>-84.3</b>	<b>-84.3</b>	<b>-336.7</b>
<i>Departmental</i>					
<i>Component 1 – Reef funding</i>	-9.8	-9.8	-9.8	-9.8	-39.3
<i>Component 2 – End deforestation</i>	-0.6	-0.2	-0.2	-0.2	-1.2
<b>Total – departmental expenses</b>	<b>-10.4</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-10.0</b>	<b>-40.5</b>
<b>Total – expenses</b>	<b>-94.3</b>	<b>-94.3</b>	<b>-94.3</b>	<b>-94.3</b>	<b>-377.2</b>
<b>Total</b>	<b>352.2</b>	<b>-94.3</b>	<b>-94.3</b>	<b>-94.3</b>	<b>69.3</b>

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.
- Indicates nil.