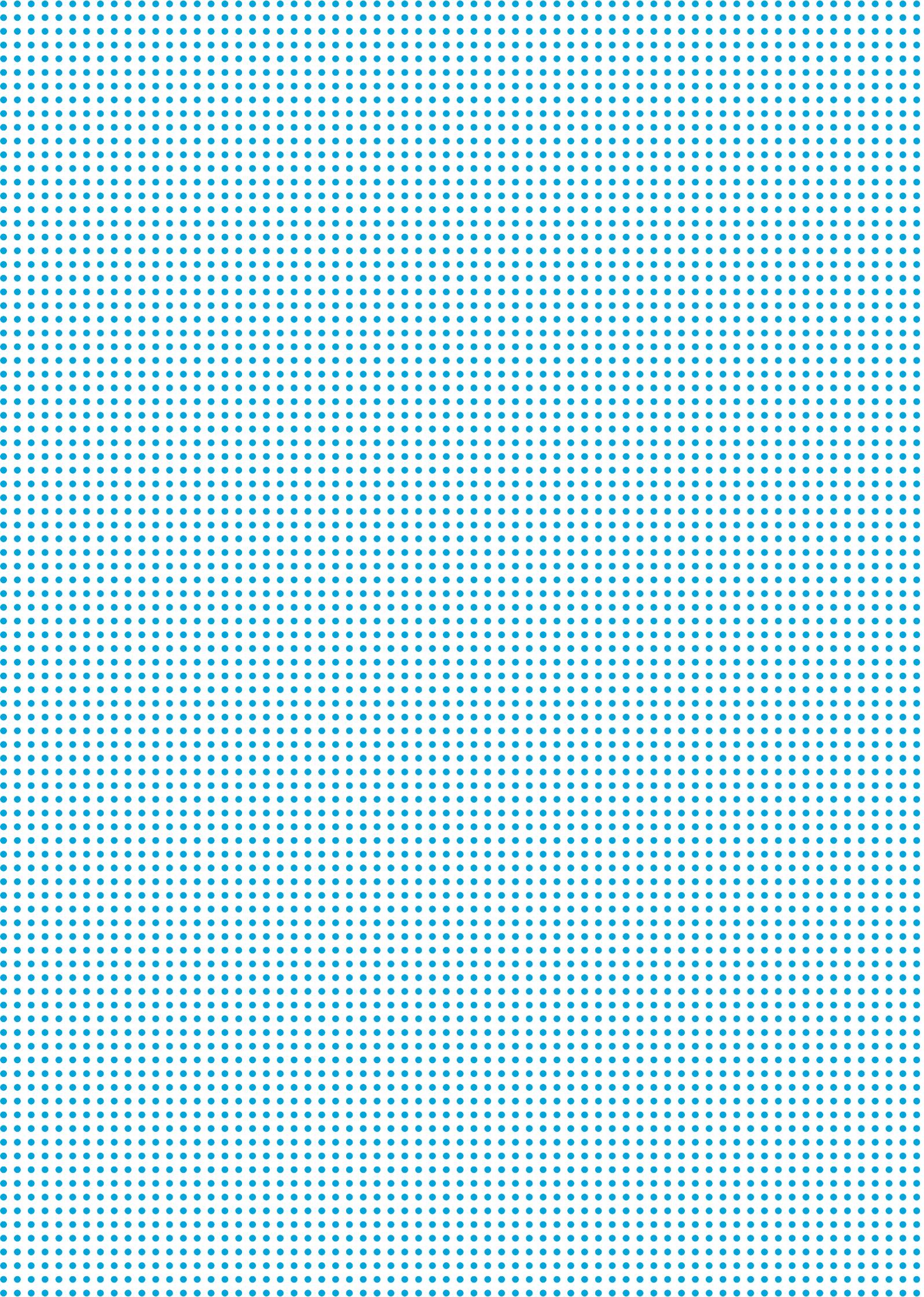




Environmental  
Protection Authority  
*Te Mana Rauhi Taiao*

# Statement of Intent

For the years 2013-2017



ENVIRONMENTAL PROTECTION AUTHORITY  
Te Mana Rauhi Taiao

# Statement of Intent

For the years 2013-17

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# Foreword

The Environmental Protection Authority (EPA) has a leading role both in natural resource decision-making and in helping New Zealand meet its international environmental commitments. Much has been achieved since our inception in July 2011, including the integration of staff and functions from the Ministry for the Environment (MfE), Ministry of Economic Development and the Environmental Risk Management Authority. We have streamlined routine applications to import or manufacture low-risk new organisms and hazardous substances, reducing application processing times significantly. We ran a successful campaign on improving the safe use of LPG on marae, and are currently reassessing all biocides used as active ingredients in anti-fouling paints. Boards of Inquiry have been held for several projects of national significance.

Despite this progress statistics show that harm to people and the environment from hazardous substances is still too high. It is up to the EPA to do its part to reduce these risks. We will be working closely with other agencies to focus our efforts in this area. During the coming year we will also be taking on new regulatory and compliance responsibilities, in particular under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act). At the same time, we will ensure that our 'business as usual' work is completed to the highest standards, and that, where possible, we can integrate our systems and processes to ensure continued efficiency gains.

We will utilise our existing cash surplus in the coming year to fund a project to reduce harm from hazardous substances in the workplace and one-off setup costs for the EEZ function. This will mean operating a budget deficit of around \$2 million for the 2013-14 year. During the 2013-14 financial year we will identify

ongoing EEZ regulatory costs which cannot be recovered and review our funding options for meeting these costs in future years. We will continue working in a way that minimises compliance costs for our customers, while ensuring that risks to people and the environment are reduced.

During the next few years we will promote a culture within the organisation that is knowledgeable, easy to deal with and collaborative. The EPA will communicate its various roles in a clear way, ensuring that New Zealanders are aware of the work that we do as a regulatory agency, how this work fits into the wider regulatory framework, and how we contribute to a safer environment.

The EPA is part of a broader natural resource sector. We will continue to develop our relationships with Ministers, government agencies, industry, Māori and non-governmental organisations. Through building capability we will ensure that our regulatory regimes prove to be workable and efficiently run. At the same time we will develop systems that ensure proportionality between the processes needed to make good decisions and the impact of those processes on applicants and submitters.

We are still developing as an organisation. During the next year we will clarify our regulatory approach across several very different pieces of legislation, taking on more of a compliance role where required. These changes, and the work outlined above will ensure that we move closer to our vision as a world leading regulator.



**Kerry Prendergast**

CHAIR ENVIRONMENTAL PROTECTION AUTHORITY

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# Statement of Responsibility

The structure and content of this Statement of Intent follows the general requirements set out in the Crown Entities Act 2004. The focus of the Statement of Intent is on public accountability and providing a base against which our performance can be assessed.

The Board members and the management of the Environmental Protection Authority (EPA) are responsible for maintaining systems and processes that support high-quality decision making and service delivery and provide reasonable assurance as to the integrity and reliability of financial reporting.

The performance to be achieved by the EPA for the year ending 30 June 2014 that is specified in this Statement of Intent has been agreed with the Minister for the Environment, who is the Minister responsible for overseeing and managing the Crown's interests in the EPA. The Minister for Climate Change Issues has been consulted over issues relevant to his portfolio.

The Board acknowledges responsibility for the preparation of this Statement of Intent, which reflects the strategic direction and the forecast performance for the financial years 2013-17 and the financial position of the EPA for the financial year 2013-14.



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**Kerry Prendergast**

CHAIR ENVIRONMENTAL PROTECTION AUTHORITY

8 May 2013



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**Kevin Thompson**

DEPUTY CHAIR ENVIRONMENTAL PROTECTION AUTHORITY

8 May 2013

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# Environmental Protection Authority roles and functions

The Environmental Protection Authority (EPA) was established as a Crown Agent under the Environmental Protection Authority Act 2011.

The Act requires the EPA to:

- » contribute to the efficient, effective, and transparent management of New Zealand's environment and natural and physical resources, and
- » enable New Zealand to meet its international obligations.

When undertaking its functions under an environmental Act, the EPA must act in a way that furthers any objectives (or purposes) stated in respect of that Act.

The environmental Acts under which the EPA has powers, duties and functions are:

- » Resource Management Act 1991
- » Hazardous Substances and New Organisms Act 1996
- » Ozone Layer Protection Act 1996
- » Climate Change Response Act 2002
- » Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012, once the Act comes into force
- » Imports and Exports (Restrictions) Act 1988 and Imports and Exports (Restrictions) Prohibition Order (No 2) 2004.

The EPA is classified as a Crown Agent under the Crown Entities Act 2004. This means that it is required to give effect to Government policy relating to its functions and objectives, if so directed.

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# Overview of activities

The EPA has been operating as a Crown Agent since 1 July 2011.

The main activities of the EPA are concerned with the following:

- » nationally significant proposals under the Resource Management Act
- » support for other resource management processes at a national level, including consideration of proposed national policy statements and proposed water conservation orders
- » technical input into the development of national environmental standards
- » chemical and biological hazards
- » regulation of pesticides, fireworks, explosives and other hazardous substances
- » regulation of ozone-depleting substances, certain chemicals and hazardous waste controlled by international environmental agreements
- » regulation of new organisms, including (amongst others) genetically modified organisms
- » administration of the New Zealand Emissions Trading Scheme and the New Zealand Emission Unit Register
- » regulation of certain activities within the EEZ, for example oil, gas and mineral extraction, once the EEZ Act comes into force.

The Government expects the EPA to provide a consistent regulatory approach across the country and over a broad range of environmental issues. The EPA also provides advice on the implementation of government policy, environmental legislation and regulations. This includes providing advice to the Ministry of Foreign Affairs and Trade on environmental impact assessments for activities in Antarctica.

We participate, and help represent New Zealand's interests, in the work of international bodies dealing with climate change, chemicals regulations, chemicals and ozone-depleting substances governed by international conventions, and regulation of hazardous substances, hazardous waste, and new organisms.

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# Strategic direction

## ALIGNMENT WITH GOVERNMENT PRIORITIES

The Government's priorities are:

- » managing the Government's finances responsibly
- » building a more productive and competitive economy
- » delivering better public services within tight financial constraints
- » rebuilding Christchurch.

The EPA operates in an environment where our work is aligned with the Government's priorities. We will continue to generate efficiencies and streamline our processes so that we can contribute to reducing public sector expenditure, while improving our services.

In our role as a statutory decision maker, with a variety of environmental protection outcomes, we will endeavour to foster innovation while containing compliance costs, in order to stimulate and facilitate a more competitive economy.

We are committed to working with other government agencies, such as the Ministry of Business, Innovation and Employment (MBIE) and the Ministry for Primary Industries (MPI) in the natural resources sector and by taking advantage of shared services wherever appropriate.

We will continue to engage actively with the Office of the Chief Government Information Officer (Department of Internal Affairs) in relation to ICT developments, including the planned redevelopment of the New Zealand Emission Unit Register.

We will continue to give any applications we receive in relation to the rebuilding work in Christchurch a high priority. We will use existing cash reserves to fund one-off projects such as the EEZ set-up.

The Minister for the Environment has set the following priorities for the EPA in 2013:

- » use the influence and tools available to us to reduce workplace harm from hazardous substances in the short, medium and long term
- » support the Ministry for the Environment with the review of HSNO legislation
- » ensure the smooth establishment and implementation of the EEZ function, ensure users understand their obligations and that the environment is protected, while minimising the compliance burden
- » share the information and technical expertise the EPA holds to benefit the natural resources sector and the wider environmental management system as a whole
- » strengthen further the positive working relationships established with Māori and industry in relation to HSNO and the EEZ, and continue these relationships across other functions
- » continue the focus on improving the efficiency and cost effectiveness of processes for nationally significant proposals
- » achieve the outcomes desired for the Emissions Trading Scheme and redevelop the New Zealand Emission Unit Register
- » continue to seek efficiencies and manage our business in a prudent and fiscally responsible manner
- » benchmark the EPA against other crown entities to ensure it remains efficient in delivering its functions and services.

## STRATEGIC FRAMEWORK

The EPA's vision is:

*We will enable better future environments for New Zealanders, by being a world leading regulator.*

*He whetū mārama he tangata kōkiri.*

Our strategic mission is:

*Streamlined and strengthened national environmental regulation that protects the environment while enabling economic progress and growth.*

The EPA's overall role is to assist in the protection of New Zealand's people and environment. We will do this by facilitating objective and robust decision making in accordance with requirements of the environmental Acts, in an effective and cost-efficient manner.

We will cooperate with other agencies to ensure elements of the wider natural resources sector are aligned, and information and services are shared to support effective natural resource management.

We will work to meet the Minister's priorities by:

- » working with industry and other government agencies to improve health and safety outcomes through better implementation of the HSNO Act, including the review of the HSNO Act
- » implementing the Exclusive Economic Zone regulatory regime, including the sharing of information to benefit the environmental management system as a whole
- » facilitating streamlined regulatory decision-making processes that protect the environment while minimising the compliance burden
- » strengthening and building strong relationships with government, industry, Māori and other communities across all its functions

- » developing smart, helpful processes that users understand
- » maximising confidence in the Emissions Trading Scheme's integrity and service delivery, and planning the redevelopment of the New Zealand Emission Unit Register
- » benchmarking our performance against other similar agencies.

To ensure that we continue delivering public value we will develop our core competencies of:

- » environmental decision making
- » supporting other decision making bodies, such as support for Boards of Inquiry
- » providing guidance on regulatory issues
- » running registry services, such as the New Zealand Emission Unit Register.

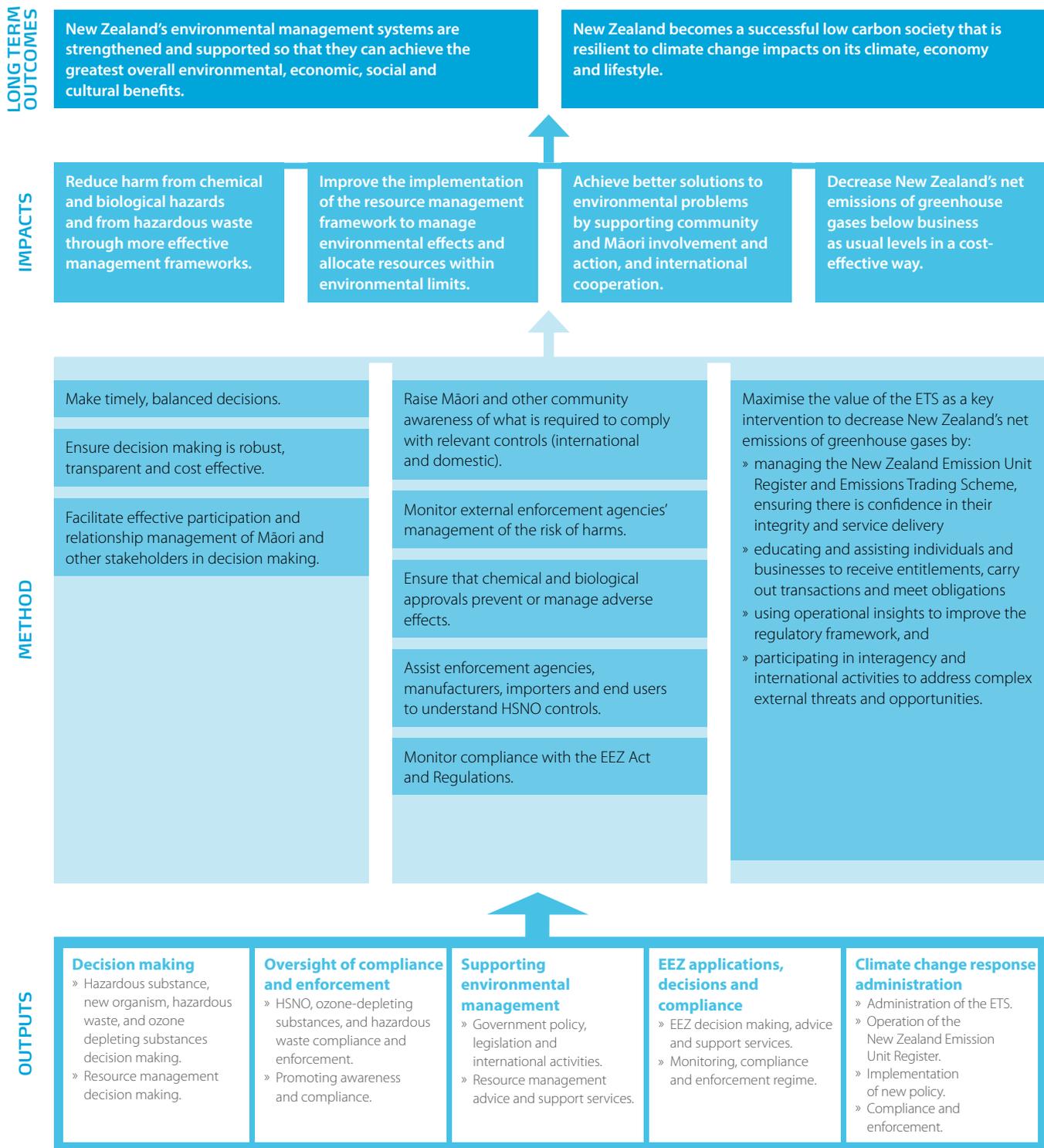
In addition, we will establish new areas of expertise, in particular in regulatory compliance.

The EPA works as a partner with the Ministry for the Environment to protect the environment and so it is important for the two organisations to align their strategic directions to meet the Minister's goals. The EPA has, therefore, used the Ministry for the Environment's Outcomes Framework and, in particular, the long term outcomes and impacts as the basis of its Outcomes Framework.

As a key delivery agency in the natural resources sector, the EPA has a significant role to play in the Minister's long term objectives, but is not solely responsible.

Our objectives are reflected in the diagram that follows.

# Outcomes Framework



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# Long term outcomes and impacts

Our long term goal is to streamline and strengthen national environmental regulation, with the overall vision of being a world-leading regulator.

**We have adopted two of the longer-term outcomes of the Ministry for the Environment in order to align our work with the sector as a whole.**

While the Ministry has responsibility for a range of major environmental issues that need attention and the overall framework for environmental and resource management, the EPA has two long-term outcomes<sup>1</sup>:

1. to strengthen our environmental management systems so that they achieve the greatest environmental, economic, social and cultural benefits, and
2. to help New Zealand become a successful low carbon society that is resilient to climate change and its impacts on our economy and lifestyle.

**Outcome 1:** New Zealand's environmental management systems are strengthened and supported so that they achieve the greatest overall environmental, economic, social and cultural benefits.

**Why this outcome is important:** New Zealand's environmental management systems must maintain the environment's capacity to generate benefits for succeeding generations. Natural resources should be allocated efficiently, used sustainably and managed so that the environment is not exposed to excessive risk. The EPA contributes to this outcome through its advisory and information services, decision-making functions, and compliance regime.

**This outcome will be achieved through:** the combined efforts of the EPA, the Ministry for the Environment, central and local government and the wider community. Evidence about the state of the environment, collected and analysed by the Ministry for the Environment, will be used to monitor progress.

We have identified a range of impacts we want to achieve in the shorter term as our contribution to this outcome. These impacts reflect the workplan of the EPA and the legislation for which we are responsible.

<sup>1</sup> See Appendix A for current status and trends.

Impact	Impact measures	Target	Current state
Reduce harm from chemical and biological hazards and from hazardous waste through more effective management frameworks.	1. Number of serious harm injuries, fatalities, chronic health impacts and catastrophic events resulting from the use of hazardous substances and new organisms.	Downward trend.	During 2011-12 there were 11 hazardous substance incidents and two new organism incidents at level 3 (moderate) or above. See Appendix A for incident data.
	2. Number of EPA-approved organisms that become a pest, weed or disease.	None.	None. (Annual independent review dated May 2012).
Improve the implementation of the resource management framework to manage environmental effects and allocate resources within environmental limits.	3. Support decision makers (Boards of Inquiry, EPA Committees, EPA Board) in their decision making.	Decision makers are supported as required. Feedback from decision makers, applicants and submitters demonstrates satisfaction with decision-making process.	Structured interviews and customer surveys indicate that Boards of Inquiry have been successfully supported during 2011-12 and 2012-13 to date, with positive feedback from Board Chairs, submitters and applicants.
	4. Streamline and improve decision-making systems.		
Achieve better solutions to environmental problems by supporting community and Māori involvement and action and international cooperation.	5. Involvement with Māori and other communities is such that useful feedback is obtained to provide better solutions.	Evidence of improved solutions and strengthening of cooperation through surveys and feedback.	During 2012-13 we have improved work with applicants and affected iwi/Māori groups on specific applications. The Māori National Network review, to ensure the best quality model for iwi/Māori participation in our activities is completed. A new group, Te Herenga, has been formed.
	6. The EPA is easy to contact for information and to provide feedback.	Survey results.	New measure. For 2012, 54% of people surveyed found EPA's information "easy to access and easy to understand" (EPA Annual Report 2012).
	7. Cooperation is strengthened through working with international agencies and through consideration of international best practice in decision making.	Demonstrable linkage between work with international agencies and improved decision making.	New measure.

**Outcome 2:** New Zealand becomes a successful low carbon society that is resilient to climate change impacts on its climate, economy and lifestyle.

**Why this outcome is important:** Climate change is the most challenging international issue of the 21st century. New Zealand must adapt to changes in climate and contribute to coordinated action to reduce greenhouse gas emissions. To become a successful low carbon society, New Zealand must reduce its emissions in a cost-effective way and manage the risks posed by climate change. (MfE Statement of Intent 2013-2016).

**This outcome will be achieved through:** the combined efforts of the EPA, the Ministry for the Environment, the Ministry for Primary Industries, central and local government, business and the wider community. Evidence about the state of the environment, collected and analysed by the Ministry for the Environment, will be used to monitor progress. The long term emissions reduction target is '50 by 50' – a 50 percent reduction of net greenhouse gases from 1990 levels by 2050<sup>2</sup>.

The EPA's specific contribution to this outcome is in regards to supporting and strengthening the operation of the administrative and regulatory function for the ETS. In particular our work enables entities to receive entitlements, meet their obligations and trade emission units. By providing efficient and accessible services that lower compliance cost and uncertainty, and integrity and security that prevents avoidance behaviour, we ensure New Zealand is well placed to become a successful low carbon society.

We want to achieve the following impact described in the table on the following page as our contribution to this outcome.

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<sup>2</sup> In March 2011, the Government notified in the New Zealand Gazette a target of a 50 percent reduction in New Zealand greenhouse gas emissions from 1990 levels by 2050.

Impact	Impact measures	Target	Current state
Decrease New Zealand's net emissions of greenhouse gases below business as usual levels in a cost-effective way.	8. Having a price for carbon emissions influences business and individuals to change behaviour to reduce emissions.	Net emissions of greenhouse gases trend towards longer term reduction target.	Net emissions are trending downwards per unit of GDP per capita.(MfE Statement of Intent 2013-16.)
	9. Participants' emissions decrease relative to production.	Instances of behaviour change in relation to the carbon price identified, for example numbers of applications for Unique Emissions Factors, registrations for forestry and other removal activities.	Amended measure. Baseline data is currently being collected.  In the current financial year, the EPA has received four applications for consideration of Unique Emissions Factors (UEF), fewer than expected, due to the low price of carbon and the financial recession. The total number of UEFs granted indicates that firms are adopting technologies or practices to reduce their emissions, lowering their ETS compliance costs.
	10. Discretionary participation in the scheme and trading within a well-functioning market is supported by: <ul style="list-style-type: none"> <li>» trust in the integrity and security of the system</li> <li>» a positive service experience</li> <li>» relevant and timely information provided to the market.</li> </ul>	100% of emission unit compliance obligations are met.  Customer trust in the integrity and security of the NZEUR and ETS systems and processes is greater than 75%.  Customer satisfaction with the overall quality of service delivery is greater than 75%.	New measure.  New measure.  Baseline data in 2012 shows overall satisfaction with our services currently stands at 78% (EPA Annual Report 2012).

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# The legislative and operating environment

## RELEVANT LAWS AND REGULATIONS

The Crown Entities Act 2004 established the accountability framework under which Crown entities are expected to operate. The EPA Board is responsible for ensuring that the EPA meets its obligations under the Crown Entities Act, the Environmental Protection Authority Act and other relevant legislation.

The EPA has functions, duties and powers under a number of environmental Acts, as outlined below.

### Resource Management Act 1991

The Resource Management Act (RMA) is the main legislation used to manage impacts on the New Zealand environment by promoting the sustainable management of natural and physical resources.

Amendments to the RMA in 2009 established an application process for proposals of national significance to be made directly to the EPA. These amendments were intended to streamline the decision-making process for major infrastructure or public works.

Applications related to proposals of national significance are managed by the EPA but we do not make the decisions. If the Minister decides the applications are nationally significant, decisions on these applications are made by an independent Board of Inquiry appointed for that purpose, or by the Environment Court.

### Hazardous Substances and New Organisms Act 1996

The purpose of the Hazardous Substances and New Organisms (HSNO) Act is “to protect the environment, and the health and safety of people and communities, by preventing or managing the adverse effects of hazardous substances and new organisms”.

These substances and organisms are important to New Zealand’s economy and communities. Our role is to ensure that, if introduced, they can be used safely.

We manage the risks associated with hazardous substances and new organisms through assigning controls or conditions to the approvals. In some cases, when the risk cannot be managed appropriately, we either decline an application (for a new substance or organism) or remove the approval through the reassessment process.

The enforcement of the requirements of the Act lies with other government agencies.

### Ozone Layer Protection Act 1996

New Zealand’s commitments under the Montreal Protocol on substances that deplete the ozone layer are contained in the Ozone Layer Protection Act 1996 and the Ozone Layer Protection Regulations 1996. These prohibit the import, manufacture, sale or export of ozone-depleting substances, except as allowed under the regulations. There is provision for exemptions for essential uses.

We make decisions on applications for permits for the import and export of ozone-depleting gases and also have an enforcement role.

### Climate Change Response Act 2002

This Act puts in place a legal framework to allow New Zealand to meet its obligations under the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

The Act established the New Zealand Emissions Trading Scheme (ETS), which is an important part of New Zealand’s approach to meeting its international obligations. The purpose of the ETS is to reduce the amount of greenhouse gases emitted in New Zealand by attaching a cost to the emission of such gases during certain activities.

Since January 2012, the EPA has managed the administration of the ETS, and the operation of the New Zealand Emission Unit Register (NZEUR) that records holdings, transfer and surrender of Units.

The EPA is the main compliance and enforcement agency for the ETS, responsible for verifying that participants are complying with the scheme. The EPA works closely with the Ministry for Primary Industries, which will continue to have delegated responsibility for ETS forestry policy and operations and agriculture policy. The EPA will work closely with the New Zealand Transport Agency (NZTA) and the New Zealand Customs Service to administer the new synthetic greenhouse gas provisions of the Climate Change Response Act.

### **Exclusive Economic Zone and Continental Shelf (Environmental Effects) 2012 Act**

Activities regulated by this Act will be discretionary and require a marine consent, unless regulations specify an activity to be permitted (in which case no consent will be needed) or prohibited (in which case no application can be made).

The EPA is the decision maker on applications for marine consents and is also responsible for monitoring compliance.

### **Imports and Exports (Restrictions) Act 1988 and Prohibition Order (No 2)**

This Order enables New Zealand to meet its obligations under international agreements.

These agreements impose requirements on New Zealand to control certain chemicals and hazardous wastes that are considered to pose a risk to people and the environment, and to provide information to other parties to these conventions.

We make decisions on import and export permits for these chemicals and hazardous wastes, which are controlled by international conventions and we also have an enforcement role.

## **MINISTERIAL CONSULTATION AND REPORTING**

### **Resource Management Act**

The Minister for the Environment may call in any application made to a local authority to consent or designate an activity under the RMA, if the Minister considers that the proposal is nationally significant.

If the Minister calls in a proposal that has been lodged with a local authority or decides that an application lodged with the EPA is nationally significant, it will be referred to an independent Board of Inquiry or to the Environment Court for consideration and decision.

Neither an independent Board of Inquiry nor the Environment Court will consult the Minister about its decision.

### **Hazardous Substances and New Organisms Act**

The Minister for the Environment may decide on the outcome of an application made under the Act, if the Minister considers that the decision on the application will have:

- » significant cultural, economic, environmental, ethical, health, international, or spiritual effects, or
- » significant effects in an area in which the EPA lacks sufficient knowledge or experience.

The Minister may not direct the EPA in relation to the exercise of any power, duty, or function relating to group standards, or to the assessment of applications relating to hazardous substances, or new organisms (except as noted above).

The EPA is not required to consult the Minister for the Environment on any HSNO Act matters before making a decision.

### **Ozone Layer Protection Act 1996**

The Minister's powers, under the Act, relate to requiring the development of codes of practice and approval of these, and to requiring businesses to submit draft accreditation schemes.

Under the Act, the Minister must publish an annual report on wholesale permits and exemptions under the regulations associated with the Act. The Minister must also undertake a review, at least every two years, to consider whether the prescribed reduction timetables are appropriate given the technology available, and produce an annual report.

There is no requirement for the EPA to consult the Minister for the Environment on any Ozone Layer Protection Act matters before making a decision.

### **Climate Change Response Act 2002**

The EPA is not required to consult the Minister for Climate Change Issues or the Minister of Finance on any operational ETS matters before making a decision.

The Minister of Finance may, on behalf of the Crown, direct the Registrar regarding Crown accounts in the New Zealand Emission Unit Register and the issuing, trading or transfer of emission units.

The Minister for Climate Change Issues may give general directions to the EPA in relation to its exercise of powers or performance of functions under the Act. Such directions will be published in the Gazette.

### **Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012**

Under this Act, the Minister for the Environment may make recommendations for regulations which classify activities as permitted, discretionary or prohibited and which relate to cost recovery by the EPA. The Minister

is also able to make recommendations for regulations which contain technical standards and which identify and provide for areas of the EEZ or continental shelf which should be closed to activities covered by the Act.

The Minister may not direct the EPA in relation to decisions on marine consents, or monitoring and enforcement of the Act.

For activities which cross the 12 nautical mile boundary between where the RMA ceases and the Act applies, the Minister may appoint a Board of Inquiry to hear the RMA matters relating to the activity. In this case the EPA may delegate its decision on the application for a marine consent to that Board of Inquiry.

### **Imports and Exports (Restrictions) Act 1988 and Prohibition Order (No 2)**

The Minister has no powers beyond recommending new regulations.

There is no requirement for the EPA to consult the Minister for the Environment on any imports and exports matters before making a decision.

### **Regular reporting to the Ministers for the Environment and Climate Change Issues**

After the end of each quarter, the EPA will provide the Ministers with a report which will present an overview of that quarter's performance. It will outline any issues or risks that we are dealing with and recommend changes to our work programme where these are considered necessary.

We will provide monthly updates to our monitoring department, the Ministry for the Environment, in accordance with an agreed monitoring plan. The Ministry will advise the relevant Ministers of any concerns.

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# The operating environment

## ECONOMIC SITUATION

The Government's key focus is to build a more competitive and internationally-focused economy that will improve New Zealand's longer-term productivity.

The Government intends to return to an operating surplus by 2014-15 through tight fiscal discipline. This will include limiting growth in core Crown operating expenditure by seeking new and better ways to deliver services. We will contribute through our decision making, fiscally prudent use of crown revenue, and cost recovery where appropriate and practical.

## OUR STAKEHOLDERS

Consultation with our stakeholders is undertaken through both formal and informal mechanisms. Members of the public may make submissions on applications for nationally significant projects and publicly notified applications under the Hazardous Substances and New Organisms and Resource Management Acts. We will be holding a HSNO conference in May 2013 for those involved in enforcing and facilitating compliance with the HSNO legislation. We are updating our test certifier regime and working with other regulated communities to improve our understanding of the sector, building relationships that make us easier to work with when issues arise. Together with Business New Zealand, we have set up a stakeholder group in the oil and gas sector that meets on a regular basis. More generally, we consult stakeholders about our activities through hui, workshops, and meetings.

The EPA also engages with participants in the ETS and entities carrying out activities eligible for industrial allocations, through both formal processes and informal engagement, to ensure that eligible entities know they can apply for an industrial allocation.

## Iwi/Māori engagement and participation

The EPA has a statutory Māori Advisory Committee, Ngā Kaihautū Tikanga Taiao, to provide advice and assistance. In addition, the Resource Management, EEZ and HSNO Acts require those exercising functions, powers and duties to take into account the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tapu, valued flora and fauna, and other taonga.

The EPA has a range of opportunities for Māori to participate in its decision-making processes and associated activities, including managing iwi-based relationships and a national network of iwi resource and environmental managers. These relationships and activities support and inform our decision-making activities, as well as contributing to the improvement of the effective engagement between applicants and Māori.

## KEY PARTNERSHIPS

### Policy and monitoring department

The Ministry for the Environment is responsible for advising the Government on environmental management, including the environmental Acts and regulations established under these Acts under which the EPA operates. Our policy knowledge and operational experience is an important practical input into the Ministry's advice to the Government about the regulatory framework. The EPA works closely with the Ministry in its capacity as New Zealand's National Greenhouse Gas Inventory agency.

We also liaise with the Ministry to ensure that the EPA's work is aligned with the priorities of the Ministers for the Environment and Climate Change Issues and the Government, and to agree on a monitoring plan. We have adopted a 'no surprises' approach that ensures the Ministers and the Ministry are kept fully informed. In particular, we provide regular updates to the Ministry on any potential issues that may be controversial or cause public comment.

The Ministry is also the monitoring department for the EPA.

### Enforcement agencies

A number of agencies have responsibilities, either directly under one of the environmental Acts or through delegation from the EPA. (See the following diagram.) We work closely with the Health and Safety Group of the Ministry of Business, Innovation and Employment, which is responsible for enforcement of health and safety rules relating to exposure to hazardous chemicals; with the Ministry for Primary Industries, which enforces new organism controls set by the EPA; and with the Ministry of Health, responsible for public health issues. Enforcement agencies report to us on a regular basis, with matters of concern managed as they arise.

### Partner agencies for operations

The Ministry for Primary Industries manages the ETS forestry sector operations under delegation from the EPA. The EPA will work closely with the New Zealand Transport Agency and the New Zealand Customs Service to administer the new synthetic greenhouse gas provisions of the Climate Change Response Act.

This diagram illustrates the relationship between the EPA and other agencies.



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# The organisation and its capability

## GOVERNANCE

The EPA Board has between six and eight members, appointed by the Minister for the Environment. The Board is responsible for the governance of the organisation, including setting strategic direction and monitoring performance. It is also responsible for the statutory functions set out in legislation, some of which are delegated to Board committees or to the Chief Executive.

The role of the Board is to:

- » ensure that the proper processes and capabilities are in place and used effectively
- » set strategic direction for the organisation within the mandate and expectations provided by legislation and by the Minister
- » engage with communities of interest to understand the broader context in which the EPA operates
- » advise the Chief Executive and his team about contextual factors that could influence decision making so that the EPA is encouraged to consider the wider view
- » oversee major change initiatives.

The Board usually meets every six weeks to carry out governance functions and deal with major issues. Out of session decisions are held as required. The Board has delegated a range of powers to committees.

## Committees

The EPA is supported and advised by two key committees: the statutory Māori Advisory Committee (Ngā Kaihautū Tikanga Taiao) and the decision-making Hazardous Substances and New Organisms Committee.

The Board has appointed two standing committees to assist it in carrying out its governance responsibilities. These are:

- » the Audit and Risk Committee, which oversees the accountability processes and matters of financial and organisational risk
- » the Performance Review and Remuneration Committee, which monitors the Chief Executive's performance and approves salaries for senior staff members.

## ORGANISATIONAL STRUCTURE

The staff of the EPA support the Board in carrying out its statutory functions and are responsible for delegated decision making in a number of areas. The organisation is structured into six groups, each of which is led by a general manager. They are:

- » Applications and Assessment
- » Compliance
- » Corporate Services
- » Emissions Trading Scheme
- » Kaupapa Kura Taiao
- » Policy and Legal.

## ORGANISATIONAL RISK MANAGEMENT

The EPA has a risk management policy, organisational risk framework and risk register to assist it in identifying and managing risks.

## CAPABILITY AND CAPACITY

The EPA is still a relatively new organisation and it may be given new functions to manage.

Our new organisational structure enables us to:

- » drive consistency and remove duplication of effort
- » reinforce the desired organisational culture
- » encourage everyone to work across the organisation rather than in silos
- » support our role as a technical leader within the natural resource and environment sectors
- » facilitate the sharing of experience and knowledge to create a learning environment, both inside the organisation and within the sector
- » be flexible and 'fleet of foot' to incorporate new functions as required
- » ensure manageable spans of control
- » facilitate the ability to establish and consolidate purposeful stakeholder relationships and interactions
- » provide clear points of contact for stakeholders.

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# What we will deliver in 2013-14

## STATEMENT OF FORECAST SERVICE DELIVERY PERFORMANCE FOR 2013-14

The EPA is funded through a mix of Crown funding and third party revenue. Crown funding is provided through the Environmental Protection Authority: regulatory functions Multi Class Output Appropriation (MCOA) in Vote Environment, and through the Vote Environment: Emissions Trading Scheme appropriation.

The output classes within the two appropriations are:

- » Decision making
- » Compliance and enforcement
- » Supporting environmental management
- » Climate change response administration

## FORECAST STATEMENT OF APPROPRIATIONS

OUTPUT APPROPRIATION (GST EXCLUSIVE)	ESTIMATED ACTUAL 2012-13 \$000	FORECAST 2013-14 \$000
<b>Environmental Protection Authority: regulatory functions MCOA</b>		
Decision-making output class	7,291	7,723
Compliance and enforcement output class	2,563	3,722
Supporting environmental management output class	4,346	4,655
<b>Total multi class output appropriation for Environmental Protection Authority: regulatory functions MCOA</b>	<b>14,200</b>	<b>16,100</b>
<b>Emissions Trading Scheme appropriation</b> (Climate change response administration output)	7,937	6,392
<b>Total</b>	<b>22,137</b>	<b>22,492</b>

## OUTPUT CLASSES AND OUTPUTS

### Output Class 1:

Under the *decision making* output class, the Minister for the Environment purchases a range of services to ensure an efficient decision-making process for approvals or permits relating to new organisms and hazardous substances, to import, use and export ozone-depleting substances and hazardous waste of international concern, and consideration of resource management proposals of national significance. These services are provided under the Hazardous Substances and New Organisms Act 1996, the Ozone Layer Protection Act 1996, the Imports and Exports (Restrictions) Act 1988, the Imports and Exports (Restrictions) Prohibition Order (No 2) 2004, and the Resource Management Act 1991.

The EPA outputs in this class are:

**Output 1:** Hazardous substance, new organism, ozone-depleting substance and hazardous waste decision making.

**Output 2:** Resource management decision making.

### Output Class 2:

Under the *compliance and enforcement* output class, the Minister for the Environment purchases a range of services to promote awareness of and ensure compliance with legislation, regulations, approvals and permits in relation to hazardous substances, ozone-depleting substances, hazardous waste and new organisms. These services are provided under the Hazardous Substances and New Organisms Act 1996, the Ozone Layer Protection Act 1996, the Imports and Exports (Restrictions) Act 1988 and the Imports and Exports (Restrictions) Prohibition Order (No 2) 2004.

The EPA outputs in this class are:

**Output 3:** Hazardous substances, new organisms, ozone-depleting substances and hazardous waste compliance and enforcement.

**Output 4:** Promotion of awareness and participation.

### Output Class 3:

Under the *supporting environmental management* output class, the Minister for the Environment purchases a range of services from the EPA to advise on the implementation and effectiveness of policy, legislation and international developments in the management of hazardous substances, ozone-depleting substances, hazardous waste, new organisms, climate change issues and natural and physical resources, as well as advice and support around resource management proposals of national significance. These services are provided under the Hazardous Substances and New Organisms Act 1996, Ozone Layer Protection Act 1996, the Imports and Exports (Restrictions) Act 1988, the Imports and Exports (Restrictions) Prohibition Order (No 2) 2004, the Resource Management Act 1991 and the Climate Change Response Act 2002. Development of decision making and compliance frameworks under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012, and the voluntary regime currently under way, is also included in this output class.

The EPA outputs in this class are:

**Output 5:** Government policy, legislation and international activities

**Output 6:** Resource management advice and support services.

**Output 7:** Exclusive Economic Zone applications, assessments and compliance<sup>3</sup>.

**Output Class 4:**

Climate change response administration. There is only one output in this class.

**Output 8:** Administration of the New Zealand Emissions Trading Scheme, implementation of new policy changes, compliance and enforcement activities and maintenance of the New Zealand Emission Unit Register to enable the holding and transfer of climate change units. These services are provided under the Climate Change Response Act 2002.

The forecast service delivery performance is based on the best estimates of the numbers and types of applications to be decided during the year. As the EPA must meet specific statutory timeframes in considering applications, there may be situations in which adjustments are needed to other parts of the work programme to meet these timeframes.

## CHANGES TO OUTPUTS

The following outputs have been merged for 2013-14 in order to clarify the formal framework of our appropriation regime:

Output 2012-13	Output 2013-14	Explanatory note
Output 2: Hazardous substance, ozone-depleting substance and hazardous waste decision making.	Merged with Output 1: New organism decision making, to form new Output 1.	Both outputs for decisions made under the HSNO Act – decision making.

In addition, there has been a change to the title of Output 4 from ‘Promoting awareness and compliance’ to ‘Promoting awareness and participation’ to better describe the work done in this area.

Further work to streamline and simplify the output structure will be undertaken in the 2013-14 year.

<sup>3</sup> The Government has asked operators to follow a voluntary regime in the interim period before the EEZ Act comes into force in 2013. The EPA will undertake environmental impact assessments for proposals received from operators during this time. Since a cost recovery model cannot operate until the legislation is enacted, work on environmental impact assessments will be at the EPA's expense.

## FORECAST STATEMENT OF OUTPUTS

	ESTIMATED ACTUAL 2012-13 \$000	FORECAST 2013-14 \$000
<b>Total income</b>	<b>28,298</b>	<b>32,234</b>
<b>Output expenditure</b>		
Output 1: Hazardous substance, new organism, ozone-depleting substance and hazardous waste decision making	6,051	6,256
Output 2: Resource management decision making	6,003	7,625
Output 3: Hazardous substances, new organisms, ozone-depleting chemicals and hazardous waste compliance	3,065	3,611
Output 4: Promoting awareness and participation	767	883
Output 5 Government policy, legislation and international activities	1,726	2,715
Output 6: Resource management advice and support services	1,121	592
Output 7: Exclusive Economic Zone applications, assessments and compliance	2,520	6,056
Output 8: Climate change response administration	6,848	6,512
<b>Total output expenditure</b>	<b>28,101</b>	<b>34,250</b>
<b>Surplus/(deficit)</b>	<b>197</b>	<b>(2,016)</b>

### Forecast Statement of Outputs

The EPA will operate a deficit budget next year only, of \$2.016 million. The increased costs across most outputs reflect two major programmes, the hazardous substances safety project and EEZ set up costs. Also included in the budget are expected EEZ application costs, plus budgeted income from applications.

The EEZ function is a new activity and the likely costs and funding are uncertain. We have therefore provided a forecast for the 2013-14 financial year only.

During the next twelve months we will be monitoring the EEZ activity and will prepare a budget for the 2014-15 financial year and forecasts for the outyears which may require further Crown funding. The EPA will be seeking to minimise the costs to applicants and the Crown while maintaining strong regulatory oversight.

We expect the level of activity in our other outputs to remain consistent.

### Transition activities

The EPA secured long term accommodation and moved to new premises in August 2012. Residual funding of \$1 million from the 2011-12 year was returned to the Government in January 2013. In addition, contingency funding of \$1.5 million for transition expenditure was not required.

**Output 1: Hazardous substance, new organism, ozone-depleting substance and hazardous waste decision making**

**Description**

Our activities under this output relate to assessing and deciding applications and statutory determinations for hazardous substances and new organisms in accordance with the Hazardous Substances and New Organisms Act 1996, issuing permits under the Imports and Exports (Restrictions) Act 1988 and the Imports and Exports (Restrictions) Prohibition Order (No 2) 2004; and issuing import or export permits for ozone-depleting substances in accordance with the Ozone Layer Protection Act 1996.

**Output 1**

**Hazardous substance, new organism, ozone-depleting substance and hazardous waste decision making**

We will provide the following outputs

Decisions on applications for hazardous substances and new organisms , licences, permissions, test certifiers, equipment, codes of practice and import certificates made in accordance with the HSNO Act and relevant regulations.

Decisions on applications to import or export ozone-depleting substances and certain chemicals and waste controlled by international conventions.

We will undertake the following activities

Make decisions on applications for hazardous substances and new organisms, licences, permissions, test certifiers, equipment, codes of practice, and import certificates.

Make decisions on applications for permits for the import and export of ozone-depleting substances.

Make decisions on applications for permits for the import or export of chemicals and waste.

Monitor and measure the compliance of decision makers with statutory time frames.

Undertake a programme of review of approvals for or relating to hazardous substances to reduce harm to people and the environment.

Maintain registers:

- » Import and Exports (Restrictions) Register
- » Ozone Layer Protection Register
- » Hazardous Substances Register.

<p>We will measure our success through the following</p>	<p>No EPA-approved organisms become a pest, weed or disease.</p> <p>There is a reduction in number of serious-harm injuries, fatalities and catastrophic events resulting from the use of hazardous substances and new organisms.</p> <p>All decisions are made within the statutory requirements for time frames.</p> <p>Applicants find the advice provided on the approval process to be clear, helpful and fit for purpose.</p> <p>All decisions made are consistent with the HSNO Act and relevant regulations.</p>
<p>The impact we want to achieve is:</p>	<p>Reduce harm from chemical and biological hazards and from hazardous waste through more effective management frameworks.</p>

### New organism decisions – Part 5

APPLICATION TYPE	ACTUAL 2011-12	FORECAST 2012-13	ESTIMATED ACTUAL 2012-13	FORECAST 2013-14
Non-GMO release and conditional release (all types)	5	3	3	4
Non-GMO containment	7	8	7	8
GMO development in containment	4	1	4	2
GMO imports into containment	1	1	3	2
GMO field tests and outdoor developments	0	0	0	0
GMO releases and conditional releases	0	0	0	0
Rapid assessments (GM and non-GM) – excluding releases	14	10	18	16
Emergencies	0	0	0	0
Minor or technical amendments	11	8	11	12
Reassessments	0	0	1	0
Statutory determinations				
Determinations	6	1	3	4
Reassessments	0	0	0	0
Transshipment of a new organism	1	1	1	1
<b>Total</b>	<b>49</b>	<b>33</b>	<b>51</b>	<b>49</b>
Non-statutory advice – present in New Zealand	32	30	30	30
Monitoring of Institutional Biological Safety Committees (IBSC) decisions	39	30	38	30
Application for new IBSC delegation	0	0	0	0
Audit of IBSC delegation	1	1	1	1
Renewal of IBSC delegation	4	0	0	0

1. All forward estimates for output tables are based on Quarter 2 2011-12.

Note: this table presents information on application numbers processed by EPA. Decisions by IBSCs are not shown.

### Hazardous substance decisions – Part 5

APPLICATION TYPE	ACTUAL 2011-12	FORECAST 2012-13	ESTIMATED ACTUAL 2012-13	FORECAST 2013-14
Import or manufacture for release	66	50	54	55
Import or manufacture in containment	24	25	22	15
Emergencies	0	0	0	0
Special emergencies	1	0	1	0
Minor or technical amendments	5	10	7	10
Rapid assessments	72	50	47	40
Group standards	4	0	0	2
Reassessments	1	4	6	3
Statutory determinations	10	6	3	5
Transhipment of a hazardous substance	12	6	5	5
<b>Total</b>	<b>195</b>	<b>151</b>	<b>145</b>	<b>135</b>
Non-statutory advice – status of substances and product labelling	514	475	440	550
New Zealand Inventory of Chemicals notifications	-	-	120	120

### Hazardous substance decisions – Part 6

APPLICATION TYPE	ACTUAL 2011-12	FORECAST 2012-13	ESTIMATED ACTUAL 2012-13	FORECAST 2013-14
Test certifiers	72	22	72	100
Permits, Controlled Substances Licences and import certificates for explosives	1,941	1,333	1,506	1,200
Codes of practice/practice guides	8	3	11	10
Other Part 6 (waivers)	114	126	127	125
<b>Total</b>	<b>2,135</b>	<b>1,484</b>	<b>1,716</b>	<b>1,435</b>

### Ozone-depleting substance applications

APPLICATION TYPE	ACTUAL 2011-12	FORECAST 2012-13	ESTIMATED ACTUAL 2012-13	FORECAST 2013-14
Special Permit to import HCFCs* Regulation 9A	1	0	1	1
HCFC Wholesaler import Regulation 11	5	5	5	5
Import HCFC Regulation 9	120	160	160	160
Export permit Regulation 23	14	20	20	20
Import exemption Regulation 33	27	40	30	30
Methyl Bromide Wholesaler import Regulation 7(1)	1	1	0	1
Methyl Bromide replacement Regulation 7(3)	10	7	10	10
<b>Total</b>	<b>178</b>	<b>233</b>	<b>226</b>	<b>227</b>

\*HCFCs = Hydrochlorofluorocarbons

### Import/export permits

APPLICATION TYPE	ACTUAL 2011-12	FORECAST 2012-13	ESTIMATED ACTUAL 2012-13	FORECAST 2013-14
Import hazardous waste	30	40	35	35
Export hazardous waste	20	30	40	40
Transit of hazardous waste	5	2	10	10
<b>Total</b>	<b>55</b>	<b>72</b>	<b>85</b>	<b>85</b>

## Output 2: Resource management decision making

### Description

Our activities under this output relate to the management of applications that are considered to be of national significance.

Applications may be submitted directly to the EPA under section 145 of the Resource Management Act 1991 or may be called in by the Minister for the Environment under section 142 of the Resource Management Act.

### Output 2 Resource management decision making, advice and support services

We will provide the following outputs	Assessment and management of applications made directly to the EPA or called in by the Minister for the Environment.
We will undertake the following activities	<p>Processing call-ins and other Ministerial interventions on proposals of national significance.</p> <p>Assessing the national significance of applications to the EPA and making recommendations to the Minister for the Environment, the Minister of Conservation, or both, on whether and where they should be referred for consideration.</p> <p>Processing applications of national significance made directly to the EPA.</p> <p>Servicing Boards of Inquiry appointed to consider called-in proposals and applications of national significance.</p>
We will measure our success through the following	<p>All applications to the EPA are assessed for national significance and a recommendation made to the Minister within 20 working days.</p> <p>All applications to the EPA that are referred to a Board of Inquiry are processed within the statutory time frame of nine months, unless the timeframe is extended by the responsible Minister.</p>
The impact we want to achieve is:	Improve the implementation of the resource management framework to manage environmental effects and allocate resources within environmental limits.

### Resource management applications

APPLICATION TYPE	ACTUAL 2011-12	FORECAST 2012-13	ESTIMATED ACTUAL 2012-13	FORECAST 2013-14
Call-ins and other ministerial interventions	0	1	1	1
Applications of national significance lodged with the EPA	4	4	3	4
<b>Total</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>

Note: decisions on applications are made by the Boards of Inquiry, not the EPA.

**Output 3: Hazardous substance, new organism, ozone-depleting substance and hazardous waste compliance**

**Description**

Our activities under this output relate to coordinating and facilitating compliance under the Hazardous Substances and New Organisms Act 1996, the Ozone Layer Protection Act 1996, the Import and Export (Restrictions) Act 1988, and the Imports and Exports (Restrictions) Prohibition Order (No 2) 2004 jointly with other agencies.

**Output 3  
Hazardous substance, new organism, ozone-depleting substance and hazardous waste compliance**

We will provide the following outputs	Coordination and facilitation of compliance when dealing with hazardous substances, new organisms, hazardous waste and ozone-depleting substances.
We will undertake the following activities	<p>Monitor and support the enforcement agencies as specified in Section 97 of the HSNO Act.</p> <p>Monitor and support the independent test certifier regime.</p> <p>Provide information and advice to users of hazardous substances and new organisms on the controls and how to comply with them, including a public awareness campaign around safely handling hazardous substances at work and at home.</p> <p>Provide information and advice to permit holders for hazardous waste and ozone-depleting substances imports/exports.</p> <p>Coordinate and manage compliance and enforcement in relation to the Ozone Layer Protection Act jointly with the New Zealand Customs Service.</p> <p>Coordinate and manage compliance and enforcement of import and export permits for hazardous waste jointly with the New Zealand Customs Service.</p> <p>Maintain oversight of the monitoring of compliance with approvals for new organisms.</p>
We will measure our success through the following	<p>All central government enforcement agencies regard the annual HSNO Act compliance activities and intentions report to be fair and accurate and consider they had an acceptable opportunity to provide input into the process and the report.</p> <p>A test certifier audit programme is developed and signed off by the Board by 30 September 2013 and implemented by 30 June 2014.</p> <p>The public awareness campaign will result in 5,000 small and medium-sized enterprises receiving Hazardous Substances Toolboxes, and generate a 15 percent increase in email and 0800 enquiries.</p> <p>At least 70 percent of enquirers surveyed find the EPA compliance information clear and helpful.</p> <p>No incidents causing adverse effects from new organisms are caused by inadequate setting of controls.</p>
The impact we want to achieve is:	Reduce harm from chemical and biological hazards and from hazardous waste through more effective management frameworks.

**Output 4: Promoting awareness and participation**

**Description**

Our activities under this output aim to increase understanding and knowledge of the work the EPA does and support participation in public processes.

**Output 4  
Promoting awareness and participation**

We will provide the following outputs	<p>Education of New Zealanders about matters regulated by the EPA.</p> <p>Facilitation of opportunities for Māori to participate in processes for EPA functions.</p>
We will undertake the following activities	<p>Ensure that information is easy to access.</p> <p>Ensure that information is in plain English and is easy to understand.</p> <p>Ensure that Māori have the information required to be able to participate in EPA decision-making processes.</p>
We will measure our success through the following	<p>At least 70 percent of people surveyed find the EPA's information easy to access.</p> <p>At least 70 percent of people surveyed find the EPA's information easy to understand.</p> <p>At least 70 percent of people surveyed say that it is reasonably or very easy to contact the EPA to ask a question or make their views known.</p> <p>At least 70 percent of Māori surveyed rate our activities as good or very good.</p> <p>At least 70 percent of Māori surveyed rate the information provided by the EPA as relevant or very relevant.</p> <p>Increase in the number of Hearing days held on Marae.</p> <p>At least 70 percent of submitters on HSNO applications feel that their views have been considered somewhat, quite a lot or fully.</p> <p>At least 70 percent of submitters on RMA applications feel they have been able to participate to the extent they wanted.</p>
The impact we want to achieve is:	<p>Reduce harm from chemical and biological hazards and from hazardous waste through more effective management frameworks.</p> <p>Achieve better solutions to environmental problems by supporting community and Māori involvement and action and international cooperation.</p>

## Output 5: Government policy, legislation and international activities

### Description

Our activities under this output are advising on the implementation of Government policy and legislation relevant to the Hazardous Substances and New Organisms Act 1996, the Ozone Layer Protection Act 1996, the Imports and Exports (Restrictions) Act 1988, the Climate Change Response Act 2002, the Imports and Exports (Restrictions) Prohibition Order (No 2) 2004, the Resource Management Act 1991 and monitoring and reviewing the effectiveness of the HSNO Act regime.

The volume of activity in this output is demand driven.

### Output 5 Government policy, legislation and international activities

We will provide the following outputs	Provision of advice on Government policy and legislation and oversight of international activities. Improvements to the interface of policy advice and operational regulation.
We will undertake the following activities	<p>Provide draft responses for Ministerial correspondence and parliamentary questions.</p> <p>Provide advice on Government policy and related initiatives that concern the legislation under which the EPA has functions.</p> <p>Recommend improvements and provide input into any proposed changes to the HSNO Act and associated regulations.</p> <p>Monitor and report on the extent to which the HSNO Act reduces adverse effects on the environment and on people.</p> <p>Recommend improvements and provide input into any proposed changes to the Ozone Layer Protection Act and associated regulations.</p> <p>Recommend improvements and provide input into any proposed changes to the Imports and Exports (Restrictions) Act, and the Imports and Exports (Restrictions) Prohibition Order.</p> <p>Participate in international activities and ensure that any international trends and innovations are fed into the appropriate channels.</p> <p>Prepare and submit annual reports on ozone-depleting substances and on chemicals and waste as required by legislation and international conventions.</p>

We will measure our success through the following

All responses to ministerial correspondence and parliamentary questions are completed to the satisfaction of the Ministry for the Environment within five working days (or as otherwise agreed).

The Ministry for the Environment is satisfied with the timeliness and quality of EPA advice and input into Government policy activities.

Implementation of the international work programme, which has been agreed to by the EPA Board by 1 July 2013.

The annual report to the International Ozone Secretariat, required by Article 7 of the Montreal Protocol, is provided by 30 June 2014.

The impact we want to achieve is:

Improve the implementation of the resource management framework to manage environmental effects and allocate resources within environmental limits.

Achieve better solutions to environmental problems by supporting community and Māori involvement and action and international cooperation.

**Output 6: Resource management advice and support**

**Description**

Our activities under this output relate to the provision of information, advice and support services and developing the frameworks for effective resource management decision making.

**Output 6  
Resource management advice and support services**

We will provide the following outputs	Provision of advice and support for RMA processes at a national level.
We will undertake the following activities	<p>Servicing Boards of Inquiry appointed to consider called-in proposals and applications of national significance.</p> <p>Providing information and advice to assist potential applicants and submitters involved in national-level decision making.</p> <p>Supporting continuing awareness of the EPA among resource management decision makers.</p> <p>Providing support for national-level decision making, including consideration of proposed national policy statements.</p> <p>Providing information and advice on other resource management matters, including development of legislation and regulations.</p>
We will measure our success through the following	<p>Feedback from the Chairs of Boards or other national-level decision-making processes in which the EPA has been involved, indicates that they are satisfied with the support provided.</p> <p>Feedback from participants in the hearing process indicates that they are satisfied with the support provided during the hearing.</p> <p>A survey of applicants finds that at least 90 percent are satisfied with the advice and support provided.</p> <p>All requests from the Minister for information and advice are responded to within the agreed timeframes, to the satisfaction of the Minister.</p> <p>No complaints to the Ombudsmen upheld by the Ombudsmen.</p>
The impact we want to achieve is:	Improve the implementation of the resource management framework to manage environmental effects and allocate resources within environmental limits.

**Output 7: Exclusive Economic Zone applications, assessments and compliance**

**Description**

When the EEZ Act comes into force, the EPA will be responsible for decision making and enforcement of applications for marine consents and for monitoring compliance.

**Output 7  
Exclusive Economic Zone applications, assessments and compliance**

<p>We will provide the following outputs</p>	<p>Systems in place to ensure operational readiness to undertake the functions required under the EEZ Act.</p> <p>Review impact assessments for proposals received from operators under the voluntary interim regime.</p> <p>Undertake statutory functions under the EEZ Act.</p>
<p>We will undertake the following activities</p>	<p>Ensure the EPA has the necessary resources, delegations and business processes in place.</p> <p>Engage with stakeholders.</p> <p>Review impact assessments submitted under the voluntary interim measures and make recommendations to operators.</p> <p>Undertake functions under the Act, including:</p> <ul style="list-style-type: none"> <li>» receiving impact assessments and processing applications for marine consents</li> <li>» monitoring compliance with the Act</li> <li>» enforcing requirements under the Act, including regulations and consents granted under it</li> <li>» promoting public awareness of the requirements of the Act.</li> </ul>
<p>We will measure our success through the following</p>	<p>Staffing and delegations are in place and functions have been costed.</p> <p>Processes and systems have been written, tested and are in place when required.</p> <p>Effective communication channels with stakeholders are established.</p> <p>Impact assessments submitted under interim measures are reviewed and recommendations made to operators.</p> <p>All processes are undertaken within statutory timeframes.</p> <p>A monitoring, compliance and enforcement programme is developed and signed off by the Board by 30 December 2013 and implemented in accordance with the programme by 30 June 2014.</p>
<p>The impact we want to achieve is:</p>	<p>Improve the implementation of the resource management framework to manage environmental effects and allocate resources within environmental limits.</p>

## Output 8: Climate change response administration

### Description

Our primary activity under this output relates to the implementation and operation of the New Zealand Emissions Trading Scheme and the New Zealand Emission Unit Register (NZEUR), specifically the administration of the non-forestry allocation, entitlements and obligations under the Climate Change Response Act 2002. We also provide the facility for the transfer and holding of units, allowing the carbon market to operate both domestically and within the Kyoto Protocol.

### Output 8 Climate change response administration

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We will provide the following outputs

Operation of the New Zealand Emission Unit Register to enable the domestic and international trading of emission units.

Decisions on and activities to support registration, entitlements, obligations and the allocation of units in accordance with the Climate Change Response Act and relevant regulations.

Provision of the functions of the Registrar to provide effect to the decisions of the EPA and other agencies.

Monitoring of the implementation of the Act through compliance and reporting activities.

Provision of information to the Ministry for the Environment to ensure that New Zealand meets its international obligations.

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We will undertake the following activities

Make decisions on applications for industrial allocation in accordance with the Climate Change (Eligible Industrial Activities) Regulations 2010.

Ensure participants are registered and able to submit emissions returns and surrender units.

Make decisions on Emissions Rulings, Unique Emissions Factors and Unique Emissions Factors Verifiers.

Carry out directions of the Registrar.

Work with participating entities and allocations recipients to encourage and ensure compliance across the ETS.

Complete audits on participating entities and allocation recipients across the ETS.

Work with the other administrative partners (Ministry for the Environment, Ministry for Primary Industries, New Zealand Transport Agency and the New Zealand Customs Service) to operate the ETS and the synthetic greenhouse gas provisions of the Climate Change Response Act.

Maintain compliance with international transaction and reporting standards.

Work with international partners (mainly other registries) and carbon market participants to ensure cross border transactions operate effectively.

Manage accounting, recording and reconciliation of emissions and unit holdings and transactions.

Provide data about transactions of units to ensure that the financial implications for the Crown can be managed, and to meet statutory reporting and inventory reporting requirements.

We will measure our success through the following

Ninety percent of applications for industrial allocations are processed within four weeks of receiving the signed application summary.

Ninety-eight percent of participants are accurately recorded in the New Zealand Emission Unit Register within two business days of receipt of a properly completed application.

The Ministry for the Environment is satisfied with the timeliness and quality of EPA statutory and international reporting.

Five audits of major industrial allocation recipients under the ETS are completed.

Ten audits of participating entities under the ETS are completed.

Customer trust in the integrity and security of the NZEUR and ETS systems and processes is greater than 75%.

Customer satisfaction with the overall quality of service delivery is greater than 75%.

The NZEUR is available for public access for 99% of time excluding scheduled outages.

The NZEUR is successfully reconciled with the International Transaction Log.

The impact we want to achieve is:

Decrease New Zealand's net emissions of greenhouse gases below business as usual levels in a cost-effective way.

### Key metrics for climate change response operations

ACTIVITY TYPE	ACTUAL 2011-12	FORECAST 2012-13	ESTIMATED ACTUAL 2012-13	FORECAST 2013-14
Industrial allocation of applications for New Zealand Units	154	150-200	150	140-190
Volume of units surrendered	16,396,523	16-16.5 million	16.5 million	18-18.5 million <sup>1</sup>
Volume of units traded between non-Crown accounts	85,176,046	190-200 million	200 million	450-550 million <sup>2</sup>
Number of transactions between non-Crown accounts	1,964	2,500-2,800	2,700	3,500-4,000
New registrations of non-forestry participants in ETS <sup>3</sup>	182	20-50	50 <sup>4</sup>	20-50 <sup>5</sup>
Total participants in ETS	2,431	2,800-3,200	3,000	3,500-3,700
Participant returns	82	170-185	180	175-185
Registration of new accounts in the NZEUR	3,588	1,500	400	100-200 <sup>6</sup>
<b>Total accounts in NZEUR</b>	<b>7,294<sup>7</sup></b>	<b>8,200-8,500</b>	<b>8,500</b>	<b>8,400-8,700</b>

<sup>1</sup> The increase is due to the introduction of new activities (waste and synthetic greenhouse gases) that are required to be surrendered in 2014, and is based on estimates provided by MfE.

<sup>2</sup> This estimate is based on a simple projection of current transaction patterns and assumes status quo policy settings and market conditions.

<sup>3</sup> These figures represent the number of applications to participate in a new activity.

<sup>4</sup> These figures do not reflect deregistration activity for the waste and synthetic greenhouse gas sectors and certain agricultural producers as a result of CCRA amendments in 2012.

<sup>5</sup> These figures assume that no new sectors will be added to the ETS and that there may be new participants for existing mandatory sectors or forestry.

<sup>6</sup> These figures assume that no new sectors will be added to the ETS. Any new accounts are expected to be additional accounts for existing participants, accounts for new participants from existing mandatory sectors and forestry, and traders.

<sup>7</sup> While there are over 7,294 accounts in the NZEUR, there are approximately 18,000 account holders, as each member of a trust or partnership is registered individually.

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# How we operate as an organisation

## FINANCIAL PERFORMANCE MEASURES

We have developed the following performance measures to provide an indication of our overall organisational health and capability. These measures provide information not otherwise available in this Statement of Intent.

### Forecast financial performance measures

MEASURE	UNIT	ESTIMATED ACTUAL 2012-13	FORECAST 2013-14
<b>Working capital</b>			
Net current assets	\$000	6,742	4,480
Current ratio	%	337	246
<b>Resource utilisation</b>			
Fixed assets as % of total assets	%	40	47
Additions as % of fixed assets	%	31	30
Fixed assets per FTE	\$000	41	40
Accommodation cost per FTE	\$000	5	6
<b>Human resources</b>			
Total FTEs	No.	159	170
Professional Development as % of personnel expenses	%	3	3
Average annual leave liability as % of annual entitlement	%	60	55

## ACCOUNTING AND OTHER FINANCIAL POLICIES

### Reporting entity

The Environmental Protection Authority (EPA) is a Crown Agent under the Crown Entities Act 2004 and is referred to throughout this Statement of Intent as the EPA. This inclusive term is used unless the reference is to the exercise of specific statutory powers and functions or specific responsibilities of the legal entity, or where reference to one of the elements of the EPA is required for clarity. The EPA was established under the Environmental Protection Authority Act 2011 and commenced activities on 1 July 2011. The EPA is domiciled in New Zealand and the ultimate parent is the New Zealand Crown.

The primary objective of the EPA is to contribute to the efficient, effective, and transparent management of New Zealand's environment and natural and physical resources and to enable New Zealand to meet its international obligations under various environmental Acts. Accordingly, the EPA has designated itself as a public benefit entity for the purposes of the New Zealand equivalents to FRS-42.

The focus of the Statement of Intent is on public accountability and providing a base against which the performance of the EPA can be assessed. Information in these forecast financial statements may not be appropriate for purposes other than those described.

These forecast financial statements have been prepared in accordance with the Crown Entities Act 2004. These forecast financial statements of the EPA are for the year 1 July 2013 to 30 June 2014. These forecast financial statements were authorised for issue by the Board on 8 May 2013.

The Board of the EPA is responsible for these statements, including the statement of underlying assumptions used in preparing these statements. The Statement of Intent will also be updated if, at any stage, the intentions and undertakings of the EPA are significantly altered or affected by new directions from the Government, any change in law or any other change in the EPA's operating environment.

## STATEMENT OF SIGNIFICANT UNDERLYING ASSUMPTIONS

### Crown revenue

YEAR	2012-13	2013-14
\$000	22,137	22,492

### Revenue from fees

The revenue from fees in 2013-14 is based on our assumptions on:

- » the activities of our stakeholders in the past
- » specific indications of applications that are expected from likely applicants, and
- » our assessment of the impact of recent legislative changes.

### Capital expenditure

A number of software development projects are planned over the next four years to enhance the delivery of the existing core regulatory functions. Further development projects are also planned to allow the integration of additional registers for any new functions, as well as with the registers and databases inherited from the former Environmental Risk Management Authority, the Ministry of Economic Development and the Ministry for the Environment.

### Working with the GCIO process

All capital information technology work will be done using methods and standards promoted by the Office of the Government Chief Information Officer.

## STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

### Basis of preparation

#### Statement of Compliance

These forecast financial statements of the EPA have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with the New Zealand generally accepted accounting practice (NZ GAAP).

They comply with NZ FRS-42, and other applicable Financial Reporting Standards, as appropriate for a public benefit entity.

#### Preparation under NZ FRS-42

These forecast financial statements are prepared using the NZ FRS-42. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### Measurement basis

These forecast financial statements have been prepared on a historical cost basis, except where modified by the revaluation of certain property, plant and equipment, and the measurement of investments at fair value.

#### Functional and presentation currency

These forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the EPA is the New Zealand dollar (NZ\$).

### **Standards, amendments and interpretations issued that are not yet effective and have not been adopted early**

The standards, amendments and interpretations issued but not yet effective that have not been adopted early, and which are relevant to the EPA, are:

- » NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced in three phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. This uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. The EPA has not yet assessed the effect of the new standard and expects it will not be adopted early.

As the External Reporting Board is consulting on a new accounting standards framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 will not be applicable to public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

### **Significant accounting policies**

The following accounting policies, which materially affect the measurement of income and the balance sheet, are applied consistently.

#### **Revenue**

Revenue is measured at the fair value of consideration received or receivable.

#### **Revenue from the Crown**

The EPA derives revenue through the provision of outputs to the Crown as specified in this Statement of Intent, for services to third parties, primarily through application fees, and from interest on money in its bank accounts.

Revenue from the Crown is recognised when earned and is reported in the financial period to which it relates.

Operating revenue from the Crown is subject to appropriation under Vote: Environment. The total amount appropriated within the Non-Departmental Output Expenses is accounted for as income.

Revenue from the Crown and third parties through fees and charges is recognised when earned. Capital contributions are recognised as taxpayers' funds.

### Interest

Interest income is recognised using the effective interest method.

### Cautionary note

Actual financial results achieved for the period covered are likely to vary from the information presented, and variations may be material.

### Provision of services

Revenue derived through the provision of services to third parties is recognised in proportion to the stage of completion at the balance sheet date. The stage of completion is assessed by reference to the stage of work performed.

### Capital charge

Changes to the capital charge rules from 1 July 2011 mean that the EPA will not be required to pay any capital charge, since the EPA's total net assets do not exceed \$15 million.

### Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the EPA are classified as operating leases. Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

### Debtors and other receivables

Debtors and other receivables are initially measured at their face value, less any provision for impairment.

Impairment of receivables is established when there is objective evidence that the EPA will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default on payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (ie not past due).

### Investments

At each balance sheet date the EPA assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. EPA investments are all in bank deposits.

#### *Bank Deposits*

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition, investments are measured at amortised cost using the effective interest method.

For bank deposits, impairment is established when there is objective evidence that the EPA will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default on payments are considered indicators that the deposit is impaired.

### Accounting for derivative financial instruments and hedging activities

The EPA uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its Foreign Exchange Policy, the EPA does not hold or issue derivative financial instruments for trading purposes. The EPA has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income.

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income.

The full fair value of a foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, foreign exchange derivatives are classified as non-current.

### Property, plant and equipment

Property, plant and equipment consist mainly of computer hardware, furniture and fixtures, leasehold improvements and office equipment.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

#### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the EPA and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

#### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

#### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the EPA and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

#### *Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows.

ASSET CLASS	USEFUL LIFE	DEPRECIATION RATES
Computer hardware	3 to 4 years	(25%–33.3%)
Furniture and fixtures	6 years	(16.7%)
Leasehold improvements	6 to 9 years	(11.1%–16.7%)
Office equipment	6 years	(16.7%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at least each financial year end.

### Intangible assets

#### *Software acquisition and development*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the EPA are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

#### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows.

Computer software	3 to 8 years	(12.5%–33.3%)
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### Impairment of property, plant and equipment, and intangible assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the EPA would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For non-financial assets the impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is also recognised in the surplus or deficit.

### Creditors and other payables

Creditors and other payables are initially measured at their face value.

### Employee entitlements

#### *Short-term entitlements*

Employee benefits that the EPA expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned, but not yet taken, at balance date.

The EPA recognises a liability for sick leave where applicable.

The EPA recognises a liability and an expense for performance payment when contractually obliged or when there is a past practice that has created a constructive obligation.

### *Long-term entitlements*

The EPA recognises a liability for long service leave and retirement leave where applicable.

### *Superannuation schemes*

- » Defined contribution schemes
  - Obligations for contributions to Kiwi Saver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.
- » Defined benefit schemes
  - The EPA has no defined benefit scheme for employees.

## Provisions

The EPA recognises a provision for future expenditure of an uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

## Borrowings

The EPA does not have any borrowings.

## Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

## Income Tax

The EPA is exempt from income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided for.

## Budget figures

The budget figures are approved by the EPA Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the EPA for the preparation of the financial statements.

### Cost allocation

The EPA determines the cost of outputs using the cost allocation outlined below.

- » Direct costs are costs that can be charged (attributed) directly to an external activity (and therefore an output).
- » Indirect costs are costs that cannot be readily identified with an output and are incurred for the common benefit of more than one output. (Examples include accommodation rental, computer network costs, and utility charges.) Indirect costs are allocated to external activities to derive total output costs, as detailed below.
- » Cost drivers are used to allocate costs directly to outputs, whether personnel or other costs.
- » All other costs are allocated to outputs on a proportional basis, using direct personnel time as the cost driver, based on actual data collected through the time recording system for the year.

### Critical accounting estimates and assumptions

In preparing these financial statements the EPA has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows.

### *Property, plant and equipment useful life and residual value*

At each balance date the EPA reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the EPA to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the EPA, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the Statement of Comprehensive Income, and carrying amount of the asset in the Statement of Financial Position.

The EPA minimises the risk of this estimation uncertainty by:

- » physical inspection of assets
- » asset replacement programmes
- » review of second hand market prices for similar assets
- » analysis of prior asset sales.

The EPA has not made significant changes to past assumptions concerning useful lives and residual values.

### Critical judgements in applying the EPA's accounting policies

Management has exercised the following critical judgement in applying the EPA's accounting policies for the period ended 30 June 2014.

### *Lease classification*

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the EPA.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

The EPA has exercised its judgement on the appropriate classification of equipment leases and has determined there are no lease arrangements that can be classified as finance leases.

### *Classification of intangible assets*

The EPA took over a number of databases developed by the Environmental Risk Management Authority for the management of HSNO applications. These databases are estimated to have a useful life of eight years. The EPA also took over the New Zealand Emission Unit Register developed by the Ministry of Economic Development for the administration of Emission Units. The estimated useful life of the Register is six years. In the event of a complete revamp of any database or the Register, the unamortised portion will be written off in the Statement of Comprehensive Income.

### **Accounting policies**

There have been no changes in accounting policies during the financial year.

### **Charging policy**

Charges are applied for most types of applications to the EPA for decisions on applications of national significance under the Resource Management Act and Parts 5 and 6 of the HSNO Act. We can also set charges for other services, with the exception of the Emissions Ruling applications under the Climate Change Response Act, where the fees are set by regulation. We have publicly notified specific types and levels of charges and set them out in the Fees and Charges Schedule. In the main, charges are set as fixed fees, although charges for some application types are set by negotiation with the applicant and others are charged on an hourly rate basis.

### **Balancing of revenues and costs**

The EPA has an overall aim of operating a balanced budget each year. Any surplus made will be available to fund future operating deficits. We will not incur a deficit unless we are able to fund it from retained earnings.

### **New borrowings and other liabilities**

The EPA has no plans to incur liabilities in the form of borrowings or financial leases in the 2013-14 year.

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# Forecast financial statements

## FORECAST STATEMENT OF COMPREHENSIVE INCOME

	ESTIMATED ACTUAL 2012-13 \$000	FORECAST 2013-14 \$000
<b>Income</b>		
Revenue Crown	22,137	22,492
Interest income	341	140
Other revenue	5,820	9,602
<b>Total Income</b>	<b>28,298</b>	<b>32,234</b>
<b>Expenditure</b>		
Personnel costs	12,709	14,607
Depreciation and amortisation expense	1,591	1,753
Other expenses	13,801	17,890
<b>Total expenditure</b>	<b>28,101</b>	<b>34,250</b>
<b>Surplus / (deficit)</b>	<b>197</b>	<b>(2,016)</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>197</b>	<b>(2,016)</b>

## FORECAST STATEMENT OF FINANCIAL POSITION

	ESTIMATED ACTUAL 2012-13 \$000	FORECAST 2013-14 \$000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,534	2,490
Debtors and other receivables	944	950
Prepayments	104	104
Investments	6,000	4,000
<b>Total current assets</b>	<b>9,582</b>	<b>7,544</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,761	2,420
Intangible assets	3,742	4,340
<b>Total non-current assets</b>	<b>6,503</b>	<b>6,760</b>
<b>TOTAL ASSETS</b>	<b>16,085</b>	<b>14,304</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Creditors and other payables	2,221	2,020
Employee entitlements	619	1,044
Borrowings	-	-
<b>Total current liabilities</b>	<b>2,840</b>	<b>3,064</b>
<b>Non-current liabilities</b>		
Employee entitlements	126	137
Provisions	-	-
Borrowings	-	-
<b>Total non-current liabilities</b>	<b>126</b>	<b>137</b>
<b>TOTAL LIABILITIES</b>	<b>2,966</b>	<b>3,201</b>
<b>NET ASSETS</b>	<b>13,119</b>	<b>11,103</b>
<b>EQUITY</b>		
General funds	13,119	11,103
<b>TOTAL EQUITY</b>	<b>13,119</b>	<b>11,103</b>

## FORECAST STATEMENT OF CHANGES IN EQUITY

	ESTIMATED ACTUAL 2012-13 \$000	FORECAST 2013-14 \$000
<b>Balance at 1 July</b>	<b>13,922</b>	<b>13,119</b>
Capital contribution		
Total comprehensive income	197	(2,016)
Capital repayment	(1,000)	-
<b>Balance at 30 June</b>	<b>13,119</b>	<b>11,103</b>

## FORECAST STATEMENT OF CASH FLOWS

	ESTIMATED ACTUAL 2012-13 \$000	FORECAST 2013-14 \$000
<b>Cash flows from operating activities</b>		
Receipts from Crown	22,137	22,492
Interest received	338	134
Receipts from other revenue	5,876	9,622
Payments to suppliers	(13,952)	(17,998)
Payments to employees	(13,030)	(14,284)
Goods and service tax (net)	(12)	-
<b>Net cash flows from operating activities</b>	<b>1,357</b>	<b>(34)</b>
<b>Cash flows from investing activities</b>		
Receipts from sale of investments	-	-
Purchase of property, plant and equipment	(1,276)	(450)
Purchase of intangible assets	(1,032)	(1,560)
Acquisition of investments	(2,000)	2,000
<b>Net cash flows from investing activities</b>	<b>(4,308)</b>	<b>(10)</b>
<b>Cash flows from financing activities</b>		
Capital contribution	(1,000)	-
<b>Net cash flows from financing activities</b>	<b>(1,000)</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>	<b>(3,951)</b>	<b>(44)</b>
Cash and cash equivalents at the beginning of the year	6,485	2,534
<b>Cash and cash equivalents at the end of the year</b>	<b>2,534</b>	<b>2,490</b>

## FORECAST STATEMENT OF CAPITAL EXPENDITURE

	ESTIMATED ACTUAL 2012-13 \$000	FORECAST 2013-14 \$000
<b>Property, Plant and Equipment</b>		
Computer hardware	1,126	300
Furniture and fittings	50	50
Leasehold improvements	50	50
Office equipment – owned	50	50
<b>Intangible assets</b>		
Computer software	1,032	1,560
<b>Total</b>	<b>2,308</b>	<b>2,010</b>

# Appendix A

## CURRENT STATE AND TRENDS

This section shows the state and trends in relation to impact measures. The quality and consistency of environmental data needs addressing, and is the subject of Ministry focus in the coming year.

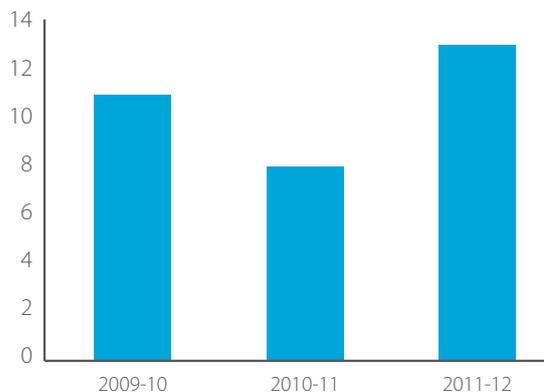
### 1. Reducing harm to people and the environment

*Measure: Downward trend in the number of serious-harm injuries, fatalities and catastrophic events resulting from the use of hazardous substances and new organisms.*

The figure below shows the serious incidents reported from 1 July 2009, when the criteria for categorisation were revised. Comparisons with data prior to this date have not been made as they may be misleading and it may be too soon to draw any trend conclusions. Data does not include long-term health effects.

Note these incidents result from all types of use of hazardous substances, with the majority of incidents occurring in situations where the HSNO Act controls were not adhered to. There were two serious incidents involving new organisms in 2011-12. Overall, there has been little change in the number and severity of incidents over time.

**Number of serious incidents**



*Measure: Number of EPA-approved organisms that become a pest, weed or disease*

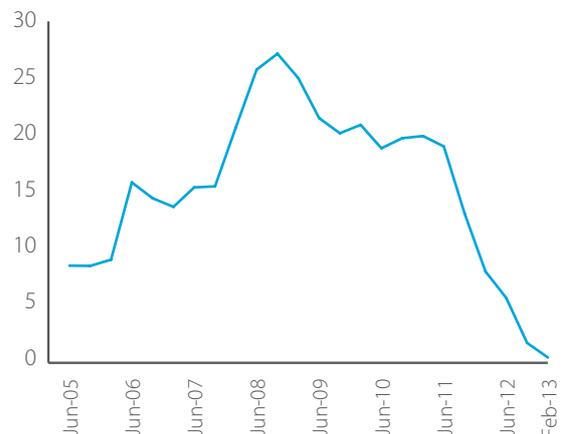
As at 2013, there have been no new organisms approved under the HSNO Act which have gone on to become a pest, weed or disease, according to an annual independent report.

### 2. Decrease New Zealand's net emissions of greenhouse gases

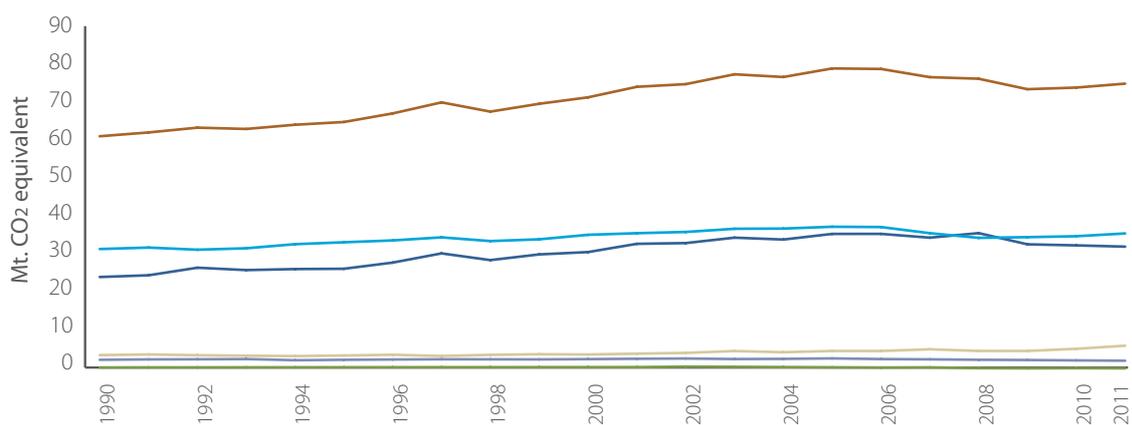
*Measures: Having a price for carbon emissions influences business and individuals to change behaviour to reduce emissions and participants' emissions decrease relative to production.*

The ETS started in 2008 with the coverage of the forestry sector (through the Ministry of Agriculture and Forestry). The liquid fossil fuels, stationary energy and industrial processes sectors were added in 2010. In 2012 the waste, agricultural and synthetic gas sectors were added, although only the waste and synthetic gas sectors presently have a surrender obligation in relation to their emissions (for emissions occurring from 2013 onwards).

**The price of carbon (NZ\$) 2005-2013**



### New Zealand's greenhouse gas emissions 1990-2011



#### Legend

- New Zealand's total greenhouse gas emissions
- Agriculture
- Energy
- Industrial processes
- Waste

Source: Ministry for the Environment 2013.

# Appendix B

## DEVELOPING ORGANISATIONAL CAPABILITY

Over the next few years the EPA will be strongly focused on ensuring it has the capability, capacity and business systems to carry out its statutory functions and to meet the expectations of the Government. We will concentrate on the following priorities:

- » ensuring infrastructure and resourcing adequately support business functions
- » ensuring that recruitment, training and remuneration are appropriate to attract and retain skilled, flexible, efficient and knowledgeable staff
- » building capability and capacity to incorporate additional functions in the future
- » integrating operational activities where possible and seeking productivity gains
- » engaging with stakeholders
- » monitoring progress, managing risks and responding to change.

### How we will measure progress with organisational health and capability

The organisational health and capability of the EPA in large part depends on the development of staff. We will monitor the following areas to measure our progress:

- » Staff development and performance plans will be in place and reviewed regularly.
- » Individual training needs will be assessed and education programmes put in place.
- » Staff will be surveyed on a regular basis.
- » Leadership training initiatives will be in place.
- » External salary comparisons will be conducted regularly and adjustments made as required.
- » Recruitment activity, trends, and time to fill vacancies will be monitored and reported.
- » Responses to entry and exit surveys will be reviewed and recommendations for improvements implemented where feasible.

In order to ensure that we continue to be efficient in our functions and services to the public, we will benchmark our performance against that of other Crown Entities.

### Good employer obligations

The EPA recognises that, to be effective in delivering services, we require a productive and diverse workforce. We will prioritise the following areas.

#### *Leadership, accountability and culture*

- » Encourage the development of a culture that is supportive and equitable for all staff.
- » The development of a learning culture that will enhance the EPA's performance while supporting the aspirations of staff.

#### *Recruitment, selection and induction*

- » Ensure the continued use of robust and transparent recruitment and selection processes.
- » Use innovative channels to attract diverse applicants.
- » Monitor candidate and workforce demographics in relation to age, ethnicity, gender and disability.

#### *Employee development, promotion and exit processes*

- » Provide equal access to personal development and activities that may lead to promotion.
- » Ensure that our performance management practices will be transparent and fair.
- » Give staff the opportunity to complete a confidential exit survey.

#### *Flexibility and work design*

- » Work towards an organisation-wide flexible work programme to recognise the needs of parents and other care givers.
- » Provide facilities for the use of parents.

#### *Remuneration, recognition and conditions*

- » Continue to provide transparent, equitable and gender-neutral job evaluation processes.
- » Review the remuneration system regularly.

# Appendix C

## *Harassment and bullying prevention*

- » Relevant policies and the code of conduct will be promoted to staff.
- » Managers and staff are trained in their responsibilities.
- » The leadership team ensures that there is zero tolerance of harassment and bullying.

## *Safe and healthy environment*

- » Create an environment that supports employee participation in health and safety.
- » Take a proactive approach to employee health and well-being.
- » Ensure that staff have easy access to the Employee Assistance Programme.

Our human resources policies will reflect these commitments and our progress will be reported to the Human Rights Commission annually.

## **Technology and assets**

### **Information technology**

New application workflows for the business units will continue to be built on existing information technology platforms. The EPA website incorporates all aspects of EPA's work, including links to other specialised sites – the climate change website

[www.climatechange.govt.nz](http://www.climatechange.govt.nz), managed by the Ministry for the Environment, and the New Zealand Emission Unit Register, [www.eur.govt.nz](http://www.eur.govt.nz).

### **Information management**

We are required to meet the requirements of the Public Records Act 2005 and the Official Information Act 1982 by providing appropriate responses to all requests within a statutory timeframe. We will use our electronic document and records management system and paper records to ensure that information is easily searchable and that we retain and archive important documents.

### **Capital asset management**

The EPA will manage its capital programme in line with the funding provided for capital costs through its internal asset management policy.

## **ENVIRONMENTAL USER CHARGES AND GROUNDS FOR REASSESSMENT DECISIONS**

The following specific information is required under section 147(1)(d) - (f) of the HSNO Act on decisions relating to the grounds for reassessment of a substance or new organism and the use of environmental user charges:

- » The Board may consider imposing an environmental user charge as an alternative to or in addition to controls in granting an approval for a hazardous substance. To date, this has not been done by the EPA. With all approvals granted to date, it has been considered that the use of controls is the most effective means of managing the risks throughout the lifecycles of the substances approved, and the use of environmental user charges has, therefore, not been required.
- » Two decisions on grounds for reassessment of a substance and none for new organisms were made by the EPA in 2012-13 (at March 2013). They were in respect of:
  - » Movento
  - » Fipronil

# Appendix D

## TERMS AND ABBREVIATIONS

The following terms and abbreviations are used throughout this document:

### Terms describing the parts of the EPA

**EPA** – the whole entity, comprising three formal elements: the Board, the Māori Advisory Committee and the staff.

**EPA Board** – the appointed members responsible for exercising statutory functions and acting as the governing body of the Environmental Protection Authority.

**Ngā Kaihautū Tikanga Taiao** – The Māori Advisory Committee appointed by the EPA Board as required under the Environmental Protection Authority Act 2011.

### Terms and abbreviations referring to the EPA's work and activities

**Board of Inquiry** – Board appointed by the Minister to decide applications of national significance under the RMA. Must include no fewer than three, and no more than five members, and the chair must be a current, former or retired Environment Court judge or a retired High Court judge.

**Call in** - the ability of the Minister to direct that an application made to the relevant decision maker be decided by a different decision maker in some situations.

Under HSNO, the Minister can direct that he or she will decide the application if the Minister considers that the application will have significant effects or that there are significant effects in an area that the EPA lacks sufficient knowledge or experience.

Under the RMA, the Minister can direct that a matter which he or she considers is nationally significant be decided by a Board of Inquiry or the Environment Court. If the matter is partly or fully in the coastal marine area, the Minister of Conservation will also have a role in the direction.

**CCRA** – Climate Change Response Act 2002.

**Days** – working days, excluding weekends and public holidays and, for purposes of applications made under Part 5 of the HSNO Act, the period between 20 December and 15 January each year.

**EEZ** - the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012.

**Emissions Trading Scheme** – the system in which New Zealand Units are traded in accordance with the Climate Change Response Act 2002. One New Zealand Unit allows the holder to emit one metric tonne of carbon dioxide equivalent.

**ETS** – Emissions Trading Scheme.

**Generic approvals** – approvals covering a broad range of organisms or substances that fall into the same or similar risk categories.

**Genetically modified organism** – any organism whose genetic material has been modified by *in vitro* techniques.

**HSNO Act** – the Hazardous Substances and New Organisms Act 1996.

**HSNO Committee** - has delegated decision-making powers relating to applications made under the Hazardous Substances and New Organisms Act 1996.

**Industrial allocation** – an allocation of units to entities carrying out eligible activities to assist them to manage the increased costs as a result of the ETS, while they make the necessary changes to reduce their energy dependency and adjust to emissions pricing.

**Institutional Biological Safety Committees** – a committee set up by an approved institution that acts under delegation from the EPA.

**International conventions** – New Zealand has obligations under a number of international environmental agreements that require controls to be imposed on certain chemicals, hazardous waste, ozone-depleting substances and new organisms. These conventions are:

- » Stockholm Convention on Persistent Organic Pollutants
- » Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade
- » Basel Convention on the Control of Transboundary Movements of Hazardous Waste and their Disposal
- » Waigani Convention (Convention to Ban the Importation into Forum Island Countries of Hazardous and Radioactive Wastes and to Control the Transboundary Movement and Management of Hazardous Wastes within the South Pacific Region)
- » Vienna Convention and Montreal Protocol on the protection of the ozone layer
- » Cartagena Protocol on Biosafety to the Convention on Biological Diversity.

**International Transaction Log** – an international log maintained by the Secretariat of the United Nations Framework Convention on Climate Change to confirm the validity of transactions, including the issue and transfer of Kyoto units between registries and between accounts in the Register.

**Kyoto Protocol** – an international agreement under the United Nations Framework Convention on Climate Change, to address the problem of climate change. It sets binding targets for developed countries that ratify it, aimed at limiting the amount of greenhouse gases they emit.

**Kyoto Units** – all of the unit types specified in, or in accordance with, the Kyoto Protocol.

**Māori National Network** – a group made up of Māori resource and environmental managers, practitioners or experts who represent their iwi, hapū or Māori organisation on matters of relevance to the activities and decision making of the EPA.

**Methodology** – the Hazardous Substances and New Organisms (Methodology) Order 1998, a regulation that the EPA must apply to decision making under Part 5 of the HSNO Act.

**New organism** – any organism, including genetically modified organisms, that was not present in New Zealand before 28 July 1998, the date on which the new organism elements of the HSNO Act came into force.

**Nine months** – this is the period between the first day of the public notice of an application directed by the Minister for the Environment, Minister of Conservation, or both Ministers jointly, and the final day by which a Board of Inquiry signs its final decision report on the proposal.

**NZEUR** – New Zealand Emission Unit Register.

**New Zealand Units** – the primary unit of trade in the New Zealand Emissions Trading Scheme, issued by the Crown. A New Zealand Emission Unit represents one metric tonne of carbon dioxide equivalent.

**NZU** – New Zealand Unit.

**OLPA** – Ozone Layer Protection Act 1996 and Amendment Act 2011.

**Order, the** – Imports and Exports (Restrictions) Prohibition Order (No 2) 2004 (SR2004/202).

**Proposal of National Significance** – an application made under the RMA that is determined by the Minister for the Environment, the Minister of Conservation or both Ministers jointly to be a proposal or in part a proposal of national significance when evaluated against the factors of national significance in section 142(3) of the RMA or other factors that the Minister(s) consider relevant.

**Rapid assessment (hazardous substances)** – the EPA may make a rapid assessment if it is satisfied a new substance has a similar composition and similar hazardous properties to an approved substance, where the hazardous properties of the new substance are low, or where the new substance has been formulated to be a lesser hazard than an approved substance. The HSNO Act also provides for the rapid assessment and approval of hazardous substances in an emergency or a 'special emergency'.

**Rapid assessment (new organisms)** – the EPA may make a rapid assessment if it is satisfied the information supplied meets the prescribed criteria for the "release" of the new organism (sections 35 and 36 of the HSNO Act), or the development or import of genetically modified organisms (sections 42, 42A, 42B and 42C). In the latter case, the information provided must be sufficient to meet the criteria for a low-risk genetic modification specified in regulations made under section 41 of the HSNO Act.

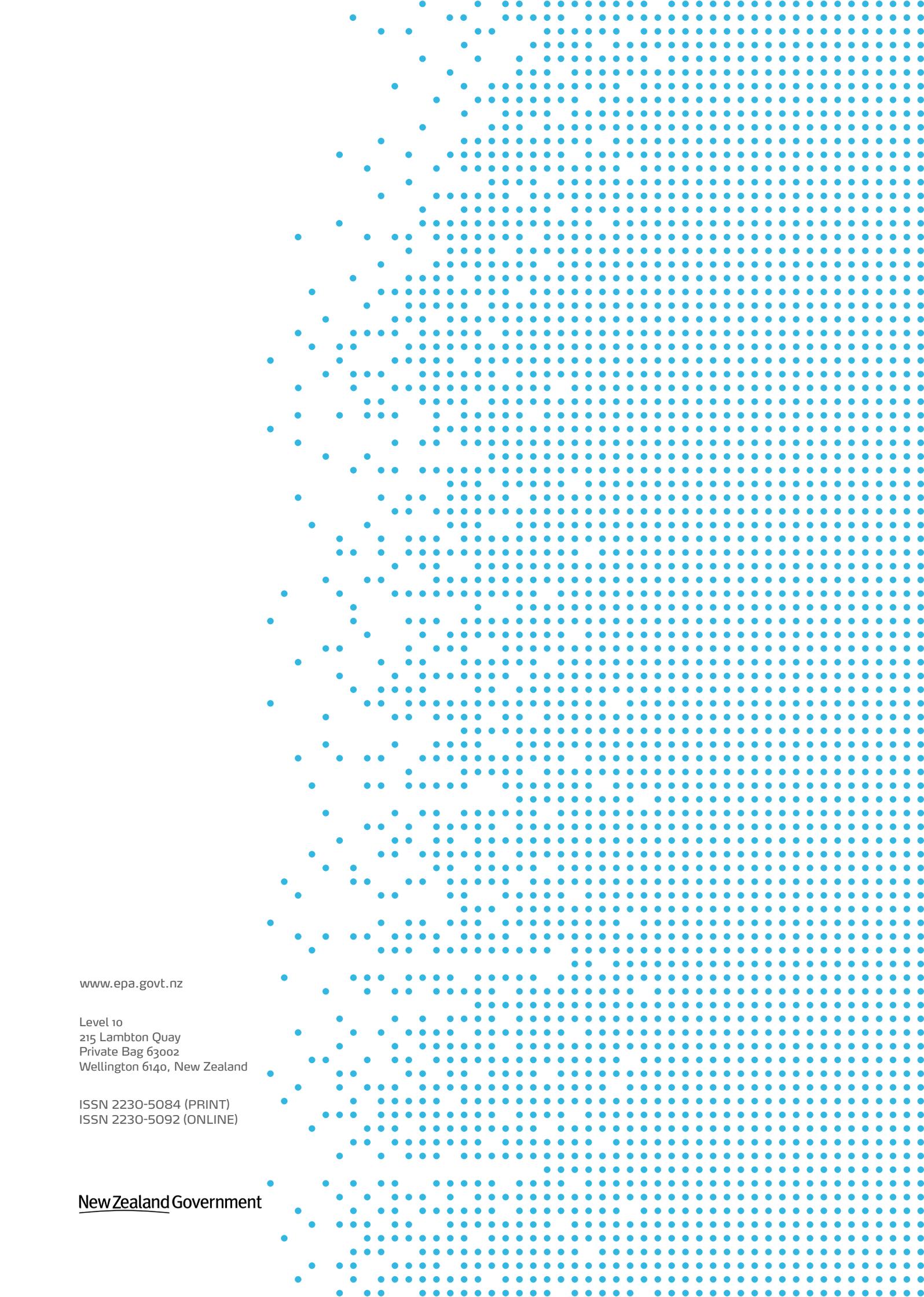
**Reassessment** – occurs when the grounds for reassessment under section 62 of the HSNO Act are met. Reassessment means reviewing the risks, costs and benefits associated with an approved substance or a new organism. As a result of the reassessment the EPA may decide to change the controls placed on the approval or, in extreme cases, withdraw the approval altogether.

**Registry** – the New Zealand Emission Unit Register. All emission unit holdings are recorded in the Register.

**Registrar** – the employee of the EPA appointed to operate the New Zealand Emission Unit Register.

**RMA** – Resource Management Act 1991.

**UNFCCC: United Nations Framework Convention on Climate Change** – the international environmental treaty that records the agreement of parties to the convention to reduce greenhouse gas emissions and creates the framework for doing so. The Kyoto Protocol exists under this Convention.



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