

Summary

- The Netherlands has announced a significant budget increase of over EUR 20 billion (NZ\$34.6b) with increases in most sectors, although it will remain within EU debt rules. We can expect to see the Netherlands' support for Ukraine continue, along with increased defence expenditure. With the war impacting everyday lives, the new budget seeks to provide relief particularly through implementing a price cap on household gas and electricity usage.
- The Ministry of Agriculture, Nature and Food Quality receives a budget increase of 141%. With the nitrogen crisis unresolved, and the former Minister of Agriculture having recently resigned, the new Minister has his work cut out to reform the Dutch agricultural sector to one of "circular agriculture."
- Based on current projections, the Netherlands remains unlikely to meet its CO2 emissions reduction target of 60% by 2030: the government has promised to announce new climate measures in spring 2023.
- The Dutch are increasing their investment in diplomacy. This will allow more focus on European cooperation and to building Dutch influence in the European Union, in the transatlantic relationship and in the Asia- Pacific.

Report

Tuesday 20 September marked **Budget Day** (or *Prinsjesdag*) in the Netherlands where the government presented the proposed budget for the coming financial year. Overall, the budget involved an increase of over EUR 20 billion, to EUR 366 billion. Despite the increase, the Dutch government is still expected to stay within the limits set by the European Union in terms of budget deficit and sovereign debt. We report on some key updates relevant to New Zealand stakeholders.

ENERGY AND FINANCE: Government to introduce an energy price cap and other measures to save households from cold homes and empty wallets this winter

At an estimated cost of 20 billion euro, Rob Jetten Minister for Climate and Energy has introduced a government **price cap on gas and electricity** from 1 January 2023. For normal usage, households will not pay more than the government set cap of EUR 1.5 per cubic metre of gas. These alleviation measures are mostly aimed at private consumers, not businesses. The government is still working on a separate arrangement for businesses. At present, Dutch households are faced with energy bills of up to 200% higher than in 2021 due to the halt in Russian gas supply, and faced with record-high inflation of 9.9% in 2022.

The energy price cap is combined with other **financial measures** in order to improve purchasing power for households. This includes a reduction in income tax, an increase in rent subsidies, and an increase in healthcare subsidies. The government admits that these measure cannot fully compensate for the sharp decline in household purchasing power, with the King in his Budget Day speech admitting: "our current way of life is approaching social, economic, and ecological limits". While the government is taking action, purchasing power is unlikely to return to usual anytime soon.

AGRICULTURE: A 141 percent budget increase for the Ministry of Agriculture to deal with the nitrogen crisis

The total budget for the Ministry of Agriculture, Nature and Food Quality is seeing an increase from EUR 1.9 billion to EUR 4.6 billion from 2022 to 2027, an **increase of 141%**. The main goal for the new Minister is to reform the Dutch agricultural sector to one of "circular agriculture". In practice, many farmers will be given the choice of becoming more sustainable, moving, or quitting.

CLIMATE: Government yet to reach its climate ambitions

The **government is yet to reach its ambition to reduce CO2 emissions by 60% by 2030**, as compared to 1990 levels. On current projections, the Dutch Planning Bureau for the Environment (PBL) is calculating a 39% to 50% reduction by 2030. Shortage of staff and materials are cited as challenges to progressing the transition. The current energy crisis is also making matters worse so Climate Minister Rob Jetten has announced additional measures will be published in spring 2023.

In the meantime, the government has committed specifically to investing more in stimulating hydrogen production (EUR 145 million), building new infrastructure for offshore wind energy (180 million) and the improvement of the Dutch heating infrastructure.

Separate to domestic climate policy, the government is committed to **increasing the international climate finance budget** by an additional EUR 109 million to a total of EUR 750 million in 2023.

DEFENCE AND FOREIGN POLICY: military expenditure up to NATO standards and a stronger Dutch voice in Europe

As reflected in the Ministry of Defence budget increase of EUR 3.9 billion, the war in Ukraine continues to be a priority for the government and we can expect to see the long-standing, consistent, responsive and practical support for Ukraine continue. The Netherlands is also set to reach the NATO minimum norm for defence expenditure for the first time in 2023, committing another EUR 5 billion annually for defence. The Dutch defence Ministry will set up a Strategic Communication Unit (StratCom) from next year. A large part of the budget increase will go to the purchase of F-35 fighter jets, and new QM-9-Reaper drones. It will also include additional support for the Ukrainian military.

In terms of foreign policy, the Netherlands is continuing the trend of putting more emphasis on **European cooperation and increasing its influence in the European Union**. Among others, the Dutch are developing a stronger sanctions policy and are “reaffirming” ties with allies across the world and specifically with the United States. To practically achieve this, as well as embed its presence elsewhere, the Dutch are committing an additional EUR 29 million annually to strengthen and expand the Dutch Embassy network in Europe and elsewhere.

The full text of the 2023 Budget for the Netherlands can be found [here](#).

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