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Chairperson
Finance and Expenditure Committee
Parliament Buildings
Wellington

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Tēnā koe,

Submission on the Inquiry into climate adaptation

A well-functioning climate change adaptation model is an essential part of the transition to a thriving, climate-resilient and low-emissions Aotearoa New Zealand. The Commission is making this submission in line with our role to provide independent expert advice on the direction of climate policy.

The Commission has a role evaluating the implementation and effectiveness of the National Adaptation Plan, and we will be providing our first adaptation monitoring report to the Minister of Climate Change on 2 August 2024. We acknowledge that the timing of delivery of this report may be too late to inform the current inquiry into climate adaptation. As such, our submission draws on the preliminary findings from this first monitoring report, as we believe that these will be relevant for, and of use to, the Finance and Expenditure Committee inquiry. The key preliminary findings, which we submit for the Finance and Expenditure Committee's consideration, are outlined below.

These preliminary findings sit within the context that **climate change is already having widespread and substantial impacts**, globally and in Aotearoa New Zealand. Ongoing and progressive changes (such as increases to annual average temperatures, sea-level rise, marine heatwaves, and ocean acidification), as well as more frequent and severe weather events, are impacting people, ecosystems, communities, infrastructure, and the economy.

Proactive action is needed to make our communities safer and better places to live and work as the climate changes. Investing early in adaptation delivers good value for money and is in the country's long-term economic self-interest. Adaptation creates economic benefits in several ways, including by reducing future damage and losses, increasing productivity, and generating broader social and environmental benefits. Alongside this, an efficient and effective emergency management system is important to help the country prepare for, and respond to, residual risk.

Preliminary finding: Clarifying roles, responsibilities and processes for planning and decision-making will help Aotearoa New Zealand appropriately respond to adaptation challenges and opportunities.

The recent announcement of the cross-party inquiry to develop a national adaptation framework is an encouraging development. The cross-party inquiry represents an important step forward, and is an important opportunity for building cross-party consensus on adaptation. The continuation of this cross-party approach will be critical as the Government moves towards potentially introducing legislation in 2025.

Existing legislative, planning and decision-making frameworks are not well-suited to planning for and dealing with changing and uncertain risks from climate change. For example, the Resource Management Act (RMA) – which is the key piece of legislation regulating land use and the environment – does not currently include explicit obligations for planning for or adapting to climate change. It does not have requirements for collecting and communicating information about climate-related risks. Furthermore, the institutions and laws that set rules and assign responsibilities on issues relevant to planning and implementing adaptation are not well linked, leading to some significant gaps and misalignments. The first national adaptation plan included some actions to help address this gap, but these actions have not been implemented.

The lack of a clear and coherent national framework for adaptation planning and implementation has significant and wide-ranging flow-on effects. Our preliminary assessment shows this gap is a barrier for local government in particular, affecting councils' ability to access resources, their capacity and capability, and their ability and willingness to take action. For example, a fear of litigation can lead to lack of action or poor decision making. These effects can also extend much more broadly. In some regions, the lack of a clear mandate and decision-making processes has led to delays, or brought adaptation planning and action to a standstill. It has also led to ad-hoc or reactive decision making (e.g., the response to the extreme weather events in the North Island in 2023), and a patchwork of approaches around the country. Clear and consistent processes, and clarity around how decisions will be made, is important for transparency, and to avoid poor outcomes – including inefficiencies, setting unsustainable precedents, and creating or reinforcing inequities.

The lack of a coherent framework or arrangements has also played out in some specific areas, including different infrastructure sectors, services sectors, and the Māori economy. Some examples include:

- **the water sector:** the current lack of a systematic approach to water infrastructure makes it difficult for planners, water providers and asset managers to make decisions in a way that aligns with adaptation outcomes that anticipate and reduce climate risk.
- **the health sector:** there is currently no joined-up approach to adaptation across regions and between different parts of the system – including hospitals, primary health organisations, community health providers, Māori health providers, and aged care facilities.
- **Rangatiratanga:** Current legislative arrangements are impacting the ability of some iwi/Māori to exercise control over how to adapt and build resilience, which can have a detrimental effect for the whole of Aotearoa New Zealand.

Ensuring the emergency management system is fit-for-purpose is critical, with Aotearoa New Zealand facing more frequent and extreme weather events as the climate changes. Our preliminary assessment shows there have been delays in implementing emergency management actions in the

national adaptation plan. The report of the Government inquiry into the response to the North Island severe weather events highlights important areas where change is needed to make sure the system can better meet local needs. This includes focusing more funding and effort towards reducing long-term exposure and vulnerability and supporting community preparedness, alongside response and recovery.

To enable effective local adaptation planning and action, the Commission’s preliminary assessment is that the adaptation framework should set out:

- a) **a clear legislative mandate for adaptation planning and action at the local level.** The adaptation framework needs to include legal requirements and statutory backing that enables local government to make effective, risk-informed decisions around land use and infrastructure that can be implemented.
- b) **clear roles and responsibilities at national and local levels.** This includes setting out the respective roles of central and local government, as well as others making decisions on climate adaptation including communities, iwi/Māori, private property owners, insurers and financial institutions.
- c) **clear and inclusive processes and methods for adaptation planning and decision making.** This includes setting out standard processes for key aspects of adaptation planning and action, and how decisions will be made with respect to those processes. This is important for ensuring that approaches across the country meet a consistent standard of robustness, while being appropriate within their local contexts.

Each of these elements should be set out for the following specific processes and areas:

- d) **local community adaptation planning.** This includes guidance on how to account for local values and risk thresholds to inform adaptation planning, and clarity around the respective roles and responsibilities of regional councils, territorial authorities, private property owners and iwi/Māori in local community adaptation planning processes and implementation.
- e) **planning for managed retreat.** This includes specifying the circumstances under which managed retreat is considered as an adaptation option, how it should be planned for, and the powers for enabling retreat – such as the acquisition and retirement of land, and withdrawal of infrastructure services.
- f) **the development, collection and communication of risk information.**

Preliminary finding: Clearly setting out how the costs of adaptation and climate-related losses will be shared, and how they will be paid for, will help enable Aotearoa New Zealand to adapt in a more efficient, fair and equitable way.

There is currently no national funding framework for climate adaptation, and no clarity around how adaptation costs will be met. The costs of adaptation will be large, and will not fall evenly. A national funding framework is needed that identifies how the costs of various adaptation-related actions and processes will be shared (including adaptation planning, implementation and dealing with issues of loss), and where that money will come from. Some actions included in the first national adaptation plan could have helped to address this gap, but are no longer being implemented – for example, passing legislation to support managed retreat.

For adaptation to be effective, there needs to be more focus on funding prevention and risk avoidance. The current funding system has a strong focus on response and recovery. For example, under the national civil defence and emergency management plan, central government covers 60% of the costs of repair for some essential council infrastructure after a natural disaster, as well as funding to support response and recovery. There is no provision for co-funding for council (or other) investments to reduce risks before an event.

Decisions about dealing with private property losses are often made in a reactive way following extreme events. For example, following the extreme weather events in the North Island in early 2023, the Government announced co-funding for voluntary buyouts for owners of residential properties designated as no longer safe, and additional funding to protect some other affected properties. These commitments, made in the aftermath of extreme weather events and without a clear framework for decision making, can have a material impact on future risk. People may make future decisions about where and how to live with the expectation that the Government will compensate them to the same extent for climate change-related losses.

Adaptation is currently being delayed because it is not clear how it will be paid for. Our preliminary assessment shows that lack of clarity around funding is a particular barrier to the effectiveness of the national adaptation plan. For example, local councils can struggle to access funding to support adaptation planning and implementation through Long Term Planning processes due to competing demands and priorities. They can find it challenging to use other tools (such as targeted rates) to fund adaptation planning and action without a clear mandate to do so. Without a clear and consistent framework for who pays, approaches will vary between communities and regions, and action could be delayed and/or halted if an agreement cannot be reached on how to fund it. We are already seeing both scenarios playing out.

Progress in developing a national funding framework for adaptation has been slow, but recent developments are encouraging. Progress is slower than set out in the first national adaptation plan, but the cross-party inquiry to develop a framework represents an important step forward.

New instruments for investing public funds and leveraging private investment in adaptation are needed. The costs of adaptation will be large, and will not fall evenly. Existing sources of money will need to be expanded to help bridge the gap. There is a need to develop new instruments to invest public funds and leverage private investment to enable and drive pre-emptive adaptation on the scale needed.

To provide clarity on how adaptation costs will be shared and met, the Commission's preliminary assessment is that the adaptation framework should clearly set out:

- a) **how the costs of local adaptation planning and implementation will be shared.** This includes between central government, regional councils and territorial authorities, as well as private property owners. This must include clarity around how costs will be shared for:
 - adaptation *planning* (including community planning processes)
 - the *implementation* of adaptation actions, including pre-emptive actions and post-event responses.
- b) **how costs of climate-related losses will be addressed and met.** This includes clarity around how both public and private losses will be addressed, and the principles that will guide

decisions around compensation. This should include clarity around the costs associated with managed retreat.

To meet future adaptation costs, the adaptation framework should also set out:

- c) **new targeted funding and financing instruments (public and private)** to enable and drive pre-emptive adaptation at the scale needed
- d) **how targeted financial instruments could support adaptation**
- e) **how private investments can effectively account for risks arising from climate change while supporting inclusive and equitable processes and outcomes.**

Thank you for the opportunity to provide a submission on this important work. We welcome appearing before the Committee to speak to these points.

Ngā mihi nui



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