17 April 2024

Committee Secretariat
Environment Select Committee
Parliament Buildings
Wellington

To the Select Committee,

**SUBMISSION ON THE FAST-TRACK APPROVALS BILL**

Thank you for the opportunity to submit on the Fast-track Approvals Bill, which provides the opportunity to improve how we can reduce risks from natural hazards by locating key infrastructure and development in the right places, with acceptable risk reduction solutions.

EQC Toka Tū Ake understands the intent of the Fast-track Approvals Bill. However, we consider that the Bill could be improved to provide greater clarity and certainty on how natural hazard risks should be managed for those infrastructure and development projects with significant regional or national benefits.

We would like to appear before the Committee to speak to our submission.

**Why is EQC submitting on the Fast-track Approvals Bill?**
EQC is a Crown entity responsible for providing insurance to residential property owners against the impact of natural hazards (capped at $300k)[1], investing in and facilitating research and education about natural hazards and natural hazard risk, and incentivising and/or implementing methods of reducing or preventing natural hazard damage.

The contingent liability from natural hazard events in New Zealand is high. We have seen over the last 15 months just how much a large event, or events, like the Auckland Anniversary Flooding and Cyclone Gabrielle, costs us – as communities, as insurers, as Government, as a country. And these are not rare events in our history, or likely to be rare in our future.

Loss modelling suggests New Zealand's annual average loss from all natural hazards is $1.2-$1.6 billion, or around 0.5-1% of GDP (OECD, ICNZ). A large proportion of this cost falls to the Crown and EQC to accommodate. As such, we have a significant interest in ensuring we are managing our natural hazard and climate risks to the best of our (collective) abilities: understanding our risks, now and in the future; making natural hazard risk and loss a key factor in our decision-making, avoiding riszXk where possible and advisable, and investing our resources in evidence-based risk reduction where cost-effective. This effort is to ensure we are protecting communities' wellbeing, our

[1] See https://www.eqc.govt.nz/insurance-and-claims/about-eqcover/ for details on the scope of what EQC Cover provides

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scheme's Natural Disaster Fund (and therefore levy payers' funds), and the long-term fiscal ability of New Zealand to recover from natural hazard events. Natural hazard risk management is not just a necessity, it is the 'smart', cost-effective thing to do for hazard-prone countries such as ours – to protect the prosperity and wellbeing of current and future generations.

**Investing in resilience saves long term costs**

Investing in resilience when a project is being designed and constructed saves recovery costs in the event of damage from natural hazards. The 2019 Wellington Lifelines Project business case for investment indicated that that an investment of $3.9 billion in increasing the seismic resilience of Wellington's infrastructure will save New Zealand $6 billion in the event of a Mw 7.5 Wellington fault earthquake (2019 $NZ)[2]. This total only considers the reduction in the duration of outages in Wellington's critical lifelines infrastructure, it does not include the indirect, flow-on costs to other parts of the economy, the economic cost of social impacts, or the loss of financial confidence in a city of the country.

An Australian study[3] estimated that the financial costs of natural hazard events are usually underestimated by at least 50% due to the cost of social impacts (such as business loss, job loss, medical costs, death, increased crime and movement away from an area) *not* being included in estimates of the cost of disasters.

Investing in resilience is also important for securing and maintaining insurance and reinsurance. According to the NZIER (2024), "A policy that informs and incentivises de-risking can lower private and public costs" [4]. To ensure that costs are lowered equitability and consistently across the country, risk reduction policies must be applied in a consistent manner across both this Bill and the RMA (i.e. the RMA currently places restrictions and requirements on land use subject to natural hazards). Requiring investment in resilience and risk reduction measures during the development stage of a project has the potential to lower the costs of a natural hazard event by a significant amount, protect lives and livelihoods, and ensure that communities and infrastructure can recover quicker than they would without these measures.

**EQC's role**

EQC delivers on this resilience objective by financially supporting natural hazard research, science, data, and education (approximately $14 million per year), investing in risk and loss modelling capability, and combining those with past claims data and experience to provide intelligence on natural hazard risk and how we should manage it.

We aim to share our insights with decision makers – homeowners, local councils, central government agencies and legislators – to help support reducing the future impact of natural hazards on people, property, and the infrastructure that services them.

[2] Wellington Lifelines Project. 2019. Protecting Wellington's Economy Through Accelerated Infrastructure Investment Programme - Business Case.
[3] Deloitte. 2021. The economic cost of the social impact of natural disasters. Australian Business Roundtable for Disaster Resilience & Safer Communities
[4] NZIER. 2024. Incentivising Resilience to Adverse Climate Change Events. Page 5.

**Our increasing natural hazard risk profile and insurance**

New Zealand's natural hazard risk profile is becoming more complex as the effects of climate change become apparent. As a country, we will be exposed to more frequent and more severe weather events as a result of rising sea levels and changing weather patterns. Managing the impacts of climate change and natural hazard risk can, and should, be complementary – mitigating the impacts of one can improve outcomes for both.

For many New Zealanders, their home is their largest financial asset. If they can no longer be insured due to high natural hazard risk, or if that insurance becomes unaffordable, then the consequences for communities are potentially severe. Insurance withdrawal can be partially seen as a failure of the planning system, when it has failed to keep development out of areas that are too high risk for to be cost-effective for insurers. This is another reason why we invest in research and resilience, and why it is so important to ensure natural hazard resilience is an integral part of the reform of the resource management system.

**Toka Tū Ake EQC submission on the Fast-track Approvals Bill**

The purpose of the Bill is to provide a fast-track decision-making process that facilitates the delivery of infrastructure and development projects with significant regional or national benefits.

The terms 'infrastructure', 'development', and 'significant' are not defined, but the eligibility criteria (s17(3)(c) include projects which increase the supply of housing, address housing needs, or contribute to a well-functioning environment. The Bill applies for projects where resource consent, notice of requirement, or certificate of compliance is required under the Resource Management Act 1991 (s10(1)(a)).

Our interest is fourfold:

1. to ensure that infrastructure and development avoids high natural hazard risk areas;
2. further, that new infrastructure does not promote development in high-risk areas;
3. that natural hazards do not adversely impact new infrastructure or development; and
4. that new infrastructure or development does not adversely impact existing uses or the hazard/risk profile.

***All of these, if not addressed, would significantly increase the probability of future losses – to infrastructure providers, to communities, to Government.***

**Specific feedback**

<u>Natural hazard clauses</u>

Natural hazards are mentioned three times in the Bill:

1. Subpart 2 S14 Referral application (3) The information to be included in the application is as follows: (v) a description of whether and how the project would be affected by climate change and natural hazards:
2. S17 Eligibility criteria for projects that may be referred to panel (3) Considering whether the project would have significant regional or national benefits, the joint Ministers may consider

whether the project – (h) will support adaptation, resilience, and recovery from natural hazards:

3. Schedule 4, Part 1 Applications etc (14) Matters to be covered in assessment of environmental effects (g) any risk to the neighbourhood, the wider community, or the environment through natural hazards or hazardous installations.

Currently these clauses do not address where or how infrastructure or development is located, nor the implications of their location on increasing risks to our communities:

1. Subpart 2 S14(3)(v) does not require any risk reduction measures to be proposed to mitigate the effects of climate change and natural hazards. While the effects of climate change and natural hazards need to be acknowledged, the information in the application should also include how these identified risks will be reduced to as low as reasonability practicable or to a tolerable level;
2. S17 requires the consideration of how projects will support adaptation, resilience and recovery from natural hazard events, but it does not require the project to consider if there will be any negative effects on adaptation, resilience or recovery (i.e. creating a pathway dependency) or the costs of those effects (economic, social, cultural). Both the positive and negative effects need to be considered; and
3. We assume that in Schedule 4, Part 1(14) risks from natural hazards will be assessed through S13(1)(a) assessment of actual or potential effects, and 13(1)(d) a description of mitigation measures to help prevent or reduce the actual or potential effect of the activity. We support this link, but it needs to be made clearer.

In addition, if monitoring of the activity is required (as per Part 1(13)(g)), then the monitoring needs to include both the effect of the infrastructure or development on environment (i.e. is it making the natural hazard and risk worse), as well as the environmental effects on the infrastructure or development (i.e. is the natural hazard impacting the infrastructure or development to more than tolerable levels?). This degree of monitoring will allow for any additional risk reduction measures to be planned for and actioned, if required (e.g. due to increased flood risk over time).

<u>Joint Ministerial decision making</u>

Currently the joint Ministers means the Minister for Infrastructure, Minister of Transport, and Minister for Regional Development (s4 Interpretation). While the joint Ministers must seek and consider comments from other Ministers when making a decision, there is no requirement to include the Minister for the Environment or Minister of Conservation in this decision making**.** ***We recommend that the interpretation of joint Ministers (s4)(a) includes the Minister for the Environment and Minister of Conservation,*** as the Ministry for the Environment is responsible for the management of significant risk from natural hazards under the RMA (s6(h)), and the effects of development on the environment. In addition, under Section 31 of the Environment Act, one of the functions of the Ministry for the Environment is to *(c) to provide the Government, its agencies, and other public authorities with advice on— (iv) the identification and likelihood of natural hazards and the reduction of the effects of natural hazards.*

The Minister of Conservation is responsible for the implementation of the New Zealand Coastal Policy Statement, which includes one objective and four policies specific to coastal hazards[5]. While the Minister of Conservation is included in s(b) of the interpretation, this pertains to the Wildlife Act 1953 only, and not the coastal environment which they are also responsible for.

The Minister for the Environment and Minister of Conversation both have clear roles to provide Government with advice on natural hazards, and we recommend that both Ministers are included in the joint Ministers decision making.

Robust and transparent assessment of natural hazards

Applications under the Bill are currently considered by an expert panel, who make recommendations back to joint Ministers. To aid in their decision-making process ***we recommend the risk tolerance assessment framework developed by EQC is applied to those applications where natural hazards and their risks require consideration***. Risk tolerance helps us decide how to manage the potential impacts of a hazard on the things we value (such as our health, environment, economy, and buildings and infrastructure). To manage risks effectively and appropriately, we must assess our risk tolerance. The risk tolerance methodology is the result of a substantive literature review of international and national risk management practice, and the full version of the methodology is available on our website[6].

**Summary of EQC Recommendations**

Based on the above explanation, we recommend the following amendments to the Bill:

| Section | Amended wording |
|---|---|
| S4(1) Interpretation | Joint Ministers -<br>(a) means the Minister for Infrastructure, Minister of Transport, Minister for the Environment, Minister for Conversation and Minister for Regional Development, acting jointly |
| s14(3)(v)<br>Referral application | "a description of whether and how the project would be affected by climate change and natural hazards, any measures to reduce these risks to tolerable levels, and how residual risks will be managed" |
| s17(h)<br>Eligibility criteria | "will support or negatively impact on adaptation, resilience, and recovery from natural hazards" |
| Schedule 4 Process for approvals under RMA Part 1(13)(g) Information required to assess environmental effects | If the scale and significance of the activity's effects are such that monitoring is required, a description of how the effects will be monitored and by whom, if the activity is approved:<br>(i) This includes the effects of natural hazards on the infrastructure or development, and the effects of the infrastructure or development on the natural hazard |

[5] Objective 5 and Policies 24, 25, 26 & 27 of the NZCPS are specific to coastal hazards. Guidance on these policies is available at https://www.doc.govt.nz/Documents/conservation/marine-and-coastal/coastal-management/guidance/policy-24-to-27.pdf

[6] https://www.eqc.govt.nz/resilience-and-research/reducing-risk/risk-tolerance-methodology/

| | |
|---|---|
| Subpart 2 – Decisions about referral of projects and process of referral (s14 Referral application (3)) Proposal and effects | (3) The information to be included in the application is as follows:<br>*Proposal and effects*<br>(a) a description of the proposed project and the activities it involves:<br>(b) the geographical location of the project (which may be included in the form of a map) that is sufficient, for example, to identify whether or not the project would occur on public conservation land, and (i) if the site is subject to natural hazards:<br>(c) the anticipated commencement and completion dates for construction activities (where relevant):<br>(d) a statement of whether the project is planned to proceed in stages and, if so, an outline of the nature and timing of the staging:<br>(e) a description of the anticipated and known adverse effects of the project on the environment; and the actual and potential effects of the environment on the project (as those terms are defined in the Resource Management Act 1991):<br>(f) a general assessment of the project in relation to national policy statements and national environmental standards (as those terms are defined in the Resource Management Act 1991): |

Given our extensive knowledge and experience of natural hazard risk management, at both national and local level, we are well placed to provide advice on the impacts to developments from natural hazards, and the effects of developments on natural hazards. We would be happy to support the Committee, officials and Ministers with the further development of the Bill, and implementation in any way we can. This could include, for example, providing an assessment framework to assist the Expert Panel and Joint Ministers' decision making on projects that are susceptible to natural hazards.

Please do not hesitate to contact us if you have any questions regarding our submission, or would like to accept our offer to provide risk-based framework for decision making.

Yours sincerely

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