

Submission

to the

Ministry for the Environment

on the

Draft National Adaptation Plan

3 June 2022

About NZBA

1. The New Zealand Bankers' Association (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.
2. The following seventeen registered banks in New Zealand are members of NZBA:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - China Construction Bank
 - Citibank N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - JPMorgan Chase Bank N.A.
 - Kiwibank Limited
 - MUFG Bank Ltd
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

Introduction

NZBA welcomes the opportunity to provide feedback to the Ministry for the Environment (**MfE**) on the Draft National Adaptation Plan. NZBA commends the work that has gone into developing the NAP.

Contact details

3. If you would like to discuss any aspect of this submission, please contact:

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Summary

If done right, the release of New Zealand's first National Adaptation Plan (**NAP**) will be an important milestone in our climate change response. We welcome the Government's draft NAP and commend the commitment to climate action. In our view, the NAP can be more ambitious, and should include greater detail to be more effective. Our submission provides suggestions to make the NAP (and related Adapt and thrive: building a climate-resilient New Zealand" Consultation Paper (**Managed Retreat Paper**)) work better for New Zealand.

In summary, our suggestions are that:

- The timeframes in the NAP need to reflect commercial and market realities and extend beyond 6 years. It is great to see Government thinking long-term, but in our view, the NAP needs to go further.
- The NAP should present a clear platform of actions with defined roles and responsibilities for consistent national response to climate risk.
- We agree that access to climate data is critical for climate adaptation, and suggest that the NAP needs to bring forward its timeframes for access to climate data held by Crown Research Institutes (**CRIs**).
- A key component to enable our move to a more resilient Aotearoa is the flow of public and private capital. The NAP should provide more detail on the role of finance in climate adaptation.
- The Managed Retreat Paper needs more clearly defined actions and processes and should require a centralised approach rather than allowing for local authorities to act at their discretion.

National Adaptation Plan

The timeframes need to reflect commercial and market realities and extend beyond 6 years

In our view, the timeframes currently set out in the NAP do not reflect commercial or market realities. We believe that people will be forced to act earlier than the NAP envisages, and suggest the NAP is more ambitious, or at least realistic, with its timeframes.

Additionally, we are concerned that the actions are only set out for the next six years. It is important that industry has greater clarity over future approach, so banks and insurers can make informed commercial decisions.

The NAP should clearly set out actions, roles and responsibilities

In our view, the NAP should present a clear platform of actions with defined roles and responsibilities for a consistent national response to climate risks. In order to achieve economy-wide change in the necessary time frames, tangible incentives are needed to enable businesses and communities to take action.

Government must take the lead and cannot assign the responsibility of identifying and responding to climate risk to others (e.g. banks and insurers). Climate risk should be

defined and approached consistently from a government position, and banks, insurers and other relevant parties should be able to rely on the government's lead in day-to-day decision making.

The NAP should facilitate more urgent access to climate data

As noted in the NAP, access to climate data is key for people and businesses to make informed decisions, and we were pleased to see actions surrounding the availability of physical risk data in the NAP. However, we note that this is not expected to be made available until mid-2024. In our view this is too slow and we recommend that consideration be given to making information available sooner on an incremental basis in downloadable data sets.

Climate projections are always going to be in a state of change and increasing accuracy, so CRIs should deliver their 'current science' as and when it becomes available with the understanding that it will always be evolving. This will provide a level of confidence to all stakeholders to take resilience action early rather than holding off.

We strongly support the action "establishment of an Adaptation Information Portal" and suggest that focus should be on making information consistent and accessible to all stakeholders, in particular individual property owners, Māori and communities that are at more vulnerable to impacts of climate change. However, we make the following recommendations:

- In line with our comment above, we are concerned that planning for development of this portal is not expected to be completed until the end of 2023. Again, we recommend consideration be given to expediting this process and that an 'agile' delivery framework be adopted so that updated versions of the portal can be made available incrementally, with increasing functionality. We note that the FAIR Climate Platform already has MBIE funding to start work on this type of portal so that workstream should be considered. We would also welcome the opportunity to collaborate on the requirements for the portal (as it relates to the banking sector) and the design of the portal.
- While public and private entities are generally capable of interpreting and using climate information for decision-making, individual users do not have the same experience and expertise. Therefore, careful consideration must be given to how information is made publicly available and how it should be interpreted to limit unintended reactions being taken and shocks to property values.

In addition to physical risk data, data required for emissions reporting/modelling (e.g. building energy use for residential and commercial buildings, emissions data etc.) should be made available to climate reporting entities as soon as possible to facilitate quality reporting under the new climate disclosure regime. Reporting entities are being encouraged by regulators and government to prepare climate scenarios and data is crucial to adequately prepare these. The Bank of England's Climate Biennial Explanatory Scenario released on 24 May 2022 noted that data availability and quality was a key limiting factor in obtaining an accurate picture of future scenarios.

The NAP should have a stronger focus on the role of finance in climate adaptation

A key component to enable our move to a more resilient Aotearoa is the flow of public and private capital. Page 145 of the NAP says that the private sector should “provide finance”. This statement is too broad to provide helpful direction. The NAP should include greater detail on the role of finance and actions required in the finance space, including:

- Drawing on the recommendations of the Sustainable Finance Forum’s Sustainable Finance Roadmap for Action, in particular, Chapter 9, which addresses the role of Government in transforming the financial system to deliver on environmental, social and economic outcomes.
- Encouraging the government and the Reserve Bank to consider how they can actively support strategic climate investment, particularly through reduced capital requirements and different risk weights to make such investments more attractive.
- Supporting nature-based adaptation solutions through public-private partnerships.
- Encouraging industry to structure more green loans/bonds that address the following categories identified in the green loan/bond principles:
 - Climate change adaptation – including information support systems, such as climate observation and early warning systems
 - Green buildings
 - Pollution prevention and control
 - Sustainable water and wastewater management
 - Terrestrial and aquatic biodiversity conservation – including the protection of coastal, marine and watershed environments.

We commend the NAP’s consideration of Māori needs in climate adaptation

In our view, the NAP is positive for Māori in that it acknowledges:

- The disproportionate impacts of climate change on Māori
- The importance of reflecting and upholding Te Tiriti principles
- The need for Māori input, and inclusion of Mātauranga Māori into analysis, planning and actions
- The need for data capture to also support Māori needs for information

However, it is crucial that the above and the NAP in general are tested with Māori and Māori voices are heard and reflected in the final NAP.

Other comments

We make the following additional comments on the NAP:

- A successful adaptation response will require consistent and clear public communication from government (both central and local) and industry, including banks and insurers. The banking sector would welcome the opportunity to work with government on this messaging and use our voice to support New Zealand’s climate change adaptation.

- “Reform the resource management system” is listed as a critical action. We note that Climate Change Adaptation does not have primacy in the current versions of the Acts replacing the Resource Management Act – this sits alongside competing factors. We consider that Climate Change Adaptation should be the primary consideration when applying those Acts.
- Mandatory climate reporting should extend to government bodies and a greater range of entities than currently captured. This extension would facilitate better value chain emissions reporting and drive more rapid action.

Managed Retreat Paper

Lack of clearly defined action and process

The Managed Retreat Paper also lacks clearly defined actions and processes. It should clearly outline preferred options and assign clear roles and responsibilities to key figures e.g. central and local government.

If a consistent framework detailing the process, timings and compensation model is not implemented in the short-term, there will be inequitable and perverse market outcomes as homeowners, local authorities, insurers and banks all attempt to manage this known risk.

In our view, centralised oversight is preferable to allowing local authorities and homeowners to act independently at their own discretion. This approach would remove the risks of different areas having inconsistent approaches, and will lead to better processes for banks, insurers and other parties who deal nationally rather than regionally. It will also provide certainty for New Zealanders no matter where they live, and enable them to more confidently plan for their future.

Intolerable risk is not defined

“Intolerable risk” is a key term in the Managed Retreat Paper, but it is not defined. It is essential that this term is defined, and a clear threshold is set. Decision makers need certainty as to when they must act. In our view, “intolerable risk” must be defined holistically, with reference to social, cultural, environmental and economic factors.

The Managed Retreat Legislation Principles need expanding

The principles are a good start, but need expanding to take into account other important drivers of adaptation. For example, the principles do not refer to protecting peoples’ lives and wellbeing. People are at the core of the NAP, and in our view, the principles need to more clearly refer to protecting affected people.

Additionally, the principles could be framed in a more proactive manner, and we recommend that there is a specific principle of proactivity e.g. being proactive in identifying climate change impacts ahead of the damage actually being caused. Proactivity is key in adaptation, and should be a key part of the legislation.

The Managed Retreat Funding objectives and principles need refining

There is a disconnect between the final objective “to support the role of banking and insurance in facilitating risk management”, and the final principle “risks and responsibilities are appropriately shared across parties including property owners, local government, central government, and banking and insurance industries”. The objective seems to imply that the banking and insurance sectors are responsible for identifying and managing the risk, but the principle implies that risk identification and management are shared across a range of parties. We suggest reflecting the language from the principle in the objective – in our view, banks and insurers are only a part of the managed retreat response, and the objectives should reflect this.

We suggest further detail be added to the principle “beneficiaries contribute to cost. Managed retreat should not further exacerbate inequality.

Other comments on managed retreat

We make the following additional comments on managed retreat:

- Access to data is critical to allow banks to assess the physical risks associated with their portfolios
- There is no consideration for long-term renters of land – should there be some assistance for relocation when a rental home is no longer liveable?
- Any climate adaptation measures (i.e. sea walls etc.) need to carefully consider impacts on surrounding areas and whether they will be feasible in the long run.