

Submission

to the

Ministry for the Environment

on the

Discussion Document: *Proposed
National Policy Statement for
Natural Hazard Decision-making*

20 November 2023



About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**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 eighteen registered banks in New Zealand are members of NZBA:
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 - ASB Bank Limited
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 - China Construction Bank
 - Citibank N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
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 - KB Kookmin Bank Auckland Branch
 - Kiwibank Limited
 - MUFG Bank Ltd
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

Contact details

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

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Introduction

4. NZBA welcomes the opportunity to provide feedback to the Ministry for the Environment (**MfE**) on the Discussion Document: *Proposed National Policy Statement for Natural Hazard Decision-making (Discussion Document)* and the accompanying Proposed National Policy Statement for Natural Hazard Decision-making (**NPS**). NZBA commends the work that has gone into developing the NPS.
5. We support direction for decision-makers on the management of natural hazard risks in new developments, and agree that greater consistency is needed between local authorities in identifying and managing these hazards. The objectives of the NPS are a step in the right direction towards mitigating risks to people and property caused by natural hazards.
6. However, as expanded upon in sections below, NZBA submits that:
 - 6.1. Greater data availability and further specificity are needed to ensure that local authorities are able to provide standard and consistent results.
 - 6.2. Assessments should be able to be carried out at a site-by-site level of granularity.
 - 6.3. Decisions made by local authorities in relation to natural hazard risks should be transparent, and able to be challenged.
 - 6.4. MfE may wish to further consider the wider impacts of natural hazard risk assessments to surrounding properties.

Assessment of natural hazard risk

7. We agree with MfE's observation that the assessment of natural hazard risks is currently variable and inconsistent. Local authorities identify natural hazards, assess and manage natural hazard risk and risk tolerance in a variable and inconsistent way, leading to limited effectiveness in some areas. Councils also face difficulty managing the uncertainty in forecasting change in hazards as the climate changes.
8. While the proposed policies in the NPS will help with management of the risk, we submit that they do not by themselves sufficiently address current limitations in the identification and assessment of risks.

Data Availability

9. NZBA submits that a lack of publicly available, meaningful national climate data may risk inconsistencies and potential inequitable outcomes in the assessments carried out by local government under the NPS. For example:



- 9.1. The proposals still put a lot of the onus on local authorities to assess the level of risk, as a nationwide source of scientific robust data has not been created. Due to the lack of a national database, categorizing high, medium, and low risk natural hazards is unhelpfully open to subjective interpretation.
 - 9.2. Not all local authorities may have adequate funding to engage experts to obtain scientifically robust data to determine the natural hazard risk.
 - 9.3. Local authorities will also have different considerations based on the size of the population, population demographic, general geographic terrain and access to relevant infrastructure, leading to inconsistency in interpretations of the NPS.
10. We question whether all planning authorities will hold sufficient information to accurately determine the category of a particular risk or the consent conditions that may lower that risk to a tolerable level. It is also unclear whether an assessment considers:
 - 10.1. the full financial costs of repeated events;
 - 10.2. the increasing cost and time to recover due to insurance reductions;
 - 10.3. how often risk assessments should be redone given the uncertainty in forecasting; and
 - 10.4. how many years of forecasting should be considered when setting a designation.
 11. The lack of availability of centralised and verified data also risks local authorities taking an overly prudent approach to risk assessment in line with Policy 6 of the NPS. This may lead to a slow-down or reduction in approvals for needed housing and infrastructure construction for New Zealand's rapidly expanding population.
 12. Local authorities are looking for immediate support on decisions on high-risk land – but the NPS may be less effective if there is not sufficient confidence in the data that supports the assessments. In the absence of shared data availability, we submit that further consideration is needed on how confidence can be built in the assessment and designation process itself.
 - 12.1. Specific guidance may need to be developed to address how decision makers can collaborate with appropriate stakeholders, and how much weight stakeholders' views should be applied to local authorities' risk assessments.
 - 12.2. One possibility is that assessments and designations under the NPS apply only to greenfield sites until the "Comprehensive National Direction for Natural Hazards" (**National Direction**) is completed.



13. In our view, the resource management system is well placed to consider these risks because it can involve local experts and stakeholders in decisions. Banks cannot replace or replicate this. The lack of an effective resource management regime increases the likelihood of significant future financial stress to the country and various institutions, including banks.
14. While we do consider that the National Direction will likely help to address these concerns, our view is that some further specification of the risk assessment methodology will assist local authorities and improve the confidence in the designations – particularly given the possibility that the National Direction may take longer to develop than anticipated, as discussed at paragraph 28 below.

Scope of assessment

15. We submit that the proposed scope as set out in the Discussion Document does not sufficiently define three aspects of the scope of the risk assessments and designations:
 - 15.1. **The land to be assessed:** Is it all land or only private land? How should the information be shared and will the assessment and/or designation be recorded on LIMs?
 - 15.2. **Timeframes for assessments:** We appreciate that Policy 3 has been included to reduce pressure on carrying out assessments in a timely manner. We consider that a guideline on the timeframes for the assessments would be helpful to decision-makers and the public.
 - 15.3. **Trigger for assessment:** The NPS is unclear as to whether the risk assessment itself is triggered by an individual consent application on a specific site or on an ad hoc basis determined by the planning authority and done on a wider area. This should be clarified in the final form of the NPS.
16. The Discussion Document suggests that it is preferable to carry out “comprehensive area-wide mitigation measures” in implementing risk mitigation, but does provide for mitigation measures on a site basis if effective. This infers that risk assessments and designations could be carried out at a site-level resolution.
17. We submit that assessments should be available at a site level of granularity. There should in our view be a process by which property owners can reduce the risk designation on their own properties with appropriate mitigation outside of conditions for a new development. This process could limit ramifications for property values, and insurance availability and costs.



Transparency

18. We submit that local authorities should be transparent with their decision-making process, including:
 - 18.1. the tools and data they have implemented to assess risk; and
 - 18.2. the risks that have been identified.
19. This would, in our view, allow stakeholders and the wider public to understand how decisions have been made, as well as improving the understanding of communities as to what natural hazards they face. This could in turn lead to better decision-making by community members, leading to communities that are less susceptible to natural hazards.
20. Further, NZBA submits that the NPS should provide for contestability of risk assessment and designation and indicate the dispute resolution process applicable, in line with the existing process for challenging resource management decisions at the Environment Court.

Recognising and providing for Māori and tangata whenua interests and te Tiriti principles

21. It is not clear how the policy of early engagement with tangata whenua is specifically different from the general directions on engagement under the NPS. Presumably, once risk assessments have been completed, they will be communicated to affected communities as soon as practicable, including to tangata whenua on Māori land.
22. It is likely tangata whenua will want to be engaged ahead of and during the risk assessment process itself which may help Policy 7 effectively achieve its goals of protection and tino rangatiratanga.

Other impacts

23. We submit that there are a number of impacts that may result from the implementation of the NPS, and that may not have been fully considered in the discussion document.

Housing / insurance values

24. In assessing natural hazards in relation to a new development or other planning decision, a local authority may identify a high-level risk of natural hazard in an area where existing properties are located. There is a potential moral hazard where a local body has identified a high-risk of natural hazard in an area where existing properties are located who may then face challenges obtaining insurance.
25. The potential negative impact on property values and insurance access from a high-risk designation will in our view be exacerbated:



- 25.1. when designations are applied to previously developed or 'mature' suburbs;
- 25.2. where information is asymmetric and not shared;
- 25.3. where mitigation proposals will not be considered and there is no contestability;
- 25.4. where the risk assessment methodology varies too widely from region to region; and
- 25.5. where confidence is low in the quality of the assessment.

Funding of assessments

26. If local authorities need to engage experts to obtain robust scientific data, these costs may be passed onto the public through increased rates. This then has the potential to create a moral hazard where existing rate payers could be funding the costs of future rate payers.
27. Central government will need to provide significant resources and tools to assist with consistent decision making across local authorities.

Uncertainty of future developments

28. The proposed interim approach risks creating uncertainty for property owners with the second more fulsome piece of national direction and/or Climate Adaptation Act still to come. This is potentially exacerbated by a change in government, which among other factors may result in the comprehensive National Direction taking longer than the indicative 1 – 2-year timeframe.