

**Government Response to
Report of Finance and Expenditure Committee
on
Climate Adaptation**

Presented to the House of Representatives

In accordance with Standing Order 256

Government response to Report of Finance and Expenditure Committee on climate adaptation

Introduction

- 1 The Government welcomes the Committee's report, which represents an important contribution to the development of policy on climate adaptation.
- 2 The Committee recommends 10 objectives and 11 principles for the adaptation framework. The report also has 16 other recommendations across the areas of system design, who does what, who pays for investment in climate adaptation, how are costs shared for residential property retreat, kaupapa Māori and data and information.
- 3 The Government responds to the report in accordance with Standing Order 256.

Government response

- 4 The Government notes the recommendations made by the Committee and will consider these recommendations during ongoing policy work on climate change adaptation through the adaptation framework and other related government work programmes.
- 5 The Committee's view on the adaptation problem includes that adaptation is long term, complex, uncertain and contentious in nature. There is imperfect and incomplete information, trade-offs and value judgements to be made, unclear roles and responsibilities, and Māori rights and interests involved.
- 6 To expand on this summary of the adaptation problem, the Government highlights:
 - 6.1 That a significant proportion of New Zealanders live in areas susceptible to increasing natural hazard risk. Climate change increases the risk of acute extreme weather and natural hazard impacts, and long-term impacts such as sea-level rise.
 - 6.2 the new reality of climate change could impact the stability of our housing, finance and insurance markets.
 - 6.3 a number of existing flaws in our systems which climate change will exacerbate including:
 - 6.3.1 development in high-risk locations where risk cannot be managed in a cost-effective way, or where the development has worsened risks elsewhere
 - 6.3.2 lack of clarity about roles and responsibilities for adaptation, particularly who pays for a variety of costs

6.3.3 under-investment in new and existing infrastructure

6.3.4 insufficient and inefficient distribution and use of natural hazard risk information.

7 The Government has agreed a Climate Strategy, the relevant pillars of which are:

7.1 infrastructure is resilient and communities are well prepared

7.2 credible markets support the climate transition

7.3 nature-based solutions address climate change.

8 The Government intends to continue progressing policy development on an adaptation framework with cross-party support, to ensure New Zealand's approach to adaptation is enduring.

9 In April 2024, the Government agreed in principle to develop the adaptation framework in line with the objectives in the table below.

10 There is broad alignment between these objectives and the Committee's recommendations. The Government will consider the Committee's recommendations carefully in finalising objectives for the adaptation framework in 2025.

Objective	Explanation
Minimise expected long-term costs	Minimise the total cost to the Crown and society from the impacts of natural hazards on where people live and work and the associated infrastructure. This will include managing the Crown's fiscal exposure.
Ensure responses and funding support to property owners, if any, are predictable, principled, and rules-based wherever possible (ie, not decided after each event)	Give as much clarity and certainty to New Zealanders about the Government's response to adaptation challenges and the roles of insurers, local government and other groups.
Improve climate risk and response information flows	Increase consistency and access to quality hazard and risk information to support sound decision making.
Address market failures and support market efficiency	Contribute to maintaining effective and efficient housing, financial and insurance markets. Focus on areas where there is market failure but empower individuals and communities by taking a decentralised rather than top-down approach.

People have the incentive and the ability to manage risk	Central government should focus on ensuring others have the incentive and ability to reduce risk where they can. Decisions and resourcing for adaptation should sit at the lowest level that internalises costs. This will encourage a more efficient response and reduce moral hazard created when individuals or groups do not face the downside risk of their own decisions. At the same time, this objective allows for interventions to alleviate equity or undue hardship where necessary.
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- 11 The policy development will focus on the workstreams of the adaptation framework. The workstreams closely align with the recommendations of the Committee as outlined in the table below.

Adaptation framework workstream	Relevant FEC chapter	Description of upcoming policy development
Risk and response information sharing	Data and information	This will examine how hazard risk and response information can be better shared so that property owners, insurers, financial markets, and councils can make more informed decisions about their appetite for, and management of, risk. It will focus on key blockages in the system government can address.
Roles and responsibilities	Who does what?	This will look at how the principles need to be implemented and decisions made. This includes evaluating roles and responsibilities under existing systems, including the Civil Defence Emergency Management Act 2002, Local Government Act 2002, Soil Conservation and Rivers Control Act 1941 and Resource Management Act 1991.
Principles for investment in risk reduction	Who pays for investment in climate adaptation?	Communities and businesses need to know what investment will happen in their areas, for example, whether the council will build flood protection infrastructure. This workstream will support consideration of investments across the full spectrum of risk reduction options, including both government infrastructure investment (and how this

		is signalled to the public) and local infrastructure investment.
Principles for cost- sharing pre- and post-event	How are costs shared for residential property retreat?	This will set out what the Government's approach is to the sharing of costs from future natural hazard risk, particularly addressing the uncertainty of what will be available to assist property owners with recovery from an event or take action in an affected area before or after a natural hazard event occurs.

- 12 Overarching objectives, principles and other system design elements, are relevant across these workstreams.
- 13 The Government intends to introduce legislation in 2025 to progress the adaptation framework. There may also be a wider work programme which may include amendments to existing legislation, regulations and other non-legislative elements.
- 14 The Government has also committed to a National Risk and Resilience Framework that drives a proactive and strategic focus on reducing risk and building resilience to New Zealand's most serious hazards and threats. The Framework will provide assurance to Ministers that risks are effectively managed and support Ministers to have greater visibility of relevant resilience building workstreams and how they relate to each other. This will help to reduce New Zealand's exposure to the harm and cost of crises and ensure the Government's fiscal position remains sustainable through shocks and stresses. The National Risk and Resilience Framework is aligned and contributes to delivery of the objectives and pillars of the adaptation framework.
- 15 There are a range of further initiatives underway which may also address a number of the matters raised by the Committee. These include those highlighted in the Government's response to the Climate Change Commission report on implementation of the National Adaptation Plan:
 - 15.1 developing RMA National Direction on natural hazards to guide how councils manage risks from natural hazards in their planning decisions
 - 15.2 the Regional Infrastructure Fund has made \$200 million available for flood resilience projects
 - 15.3 strengthening disaster resilience and emergency management through Emergency Management system reforms and through the Emergency Management System Improvement Project which seeks to deliver a 5-year work programme of further improvements to the system.