

23rd October 2023

Environment Committee
Parliament Buildings
Wellington

Dear Environment Committee Members,

Community Led Retreat and Adaptation Funding: Issues and Options

Thank you for the opportunity to make this submission. Te Kāhui Inihua o Aotearoa The Insurance Council of New Zealand (ICNZ) represents general insurers that insure about 95 percent of the Aotearoa New Zealand general insurance market, including well over a trillion dollars' worth of Aotearoa New Zealand property and liabilities. ICNZ members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, cyber insurance, commercial property, and directors and officers insurance).

We start with some overarching comments and then address each question in the submission document. We have not answered all questions as we believe some are better answered by others with the more appropriate expertise and knowledge.

Overarching Comments

The consultation document does not make it clear what New Zealand is trying to achieve from its adaptation response to climate change. It should. In our view, a clear adaptation strategy should sit over consideration of retreat and adaptation funding. This ought to have an ambitious, aspirational goal, for instance, that New Zealand achieves a defined level of resilience to climate impacts by 2050. The cost of achieving the goal should be estimated as far as possible, so there is a tangible sense of what funds are needed for adaptation. If it is likely to be a very large sum possibly running into hundreds of billions of dollars, that answers questions about the need to source funds publicly and privately or even the need to ration funding. It will make it clear that costs may need to be shared. The working assumption is likely to be that the scale of adaptation cannot be afforded solely by central and local government, so individuals in areas of high risk will have to bear some costs. In short, the scope of the task ahead must be articulated to make sense of managed retreat (retreat), which is just one adaptation option, and how to fund adaptation.

While we acknowledge the importance of considering retreat, it is critical to stress that this is a last resort option at the end of a spectrum of climate adaptation options. Focusing on retreat creates the risk that insufficient attention is given to necessary adaptation measures that must be applied and which will precede the most complex and costly option, retreat.

By taking a more strategic approach to climate adaptation, it will become clear that solutions do not lie solely with central or local government. This is because the problem we are trying to address can only be solved by ensuring the systems that have the potential to manage the natural hazards are not working together to a common purpose.

We believe that adaptation cannot be considered fully without understanding how the current management of New Zealand's natural hazard management is fragmented and not keeping pace with the

growing risk. This is largely due to the siloed approach taken to adaptation. We have a social system that looks to fully compensate those impacted by climate change loss where retreat is contemplated. Our finance system that has a prime focus on funding growth, but which lacks a risk focus for how else loans are extended to develop in high risk areas. Our science system that is focused on science excellence where open access to core data sets would enable decision-makers to make better risk management decisions. Our building system focuses on quality and efficiency but pays little regard to improving flood resilience for instance. Our insurance system is regarded as playing a prime role in funding recovery with concerns expressed when it reflects the true risk through premiums.

New Zealand's adaptation strategy should set agreed principles to guide actors in each system. An obvious principle would be to incentivise those best able to manage risks to do that. It would be important to have a community-centric approach and to acknowledge the cultural attachment to whenua for Māori. We believe sustainable solutions that are targeted, proportionate and are low cost to implement and operate are other principles that could be adopted.

Turning to the specifics of this consultation document, there are two important issues to address when considering retreat that are given little attention. The first is to where people retreat. This should not be to areas that will present similar adaptation challenges in a few years. This requires long-term and better land use planning. However, the Resource Management Act, which has failed to prevent development in areas of unacceptable risk, will still provide the operative planning framework for some years to come. The second issue is how decisions are made about the use of land people have retreated from under the planning framework we have today.

Question 1 – Do you think we should use the term 'community-led' retreat? If not, what do you think we should use and why?

As retreat may be contingent on central government support or even in some circumstances mandated in future, it may be misleading to use this term. Community-led suggests the local community will be making all the decisions when most decisions will be made by locally elected territorial local authorities (TLAs). Further, retreat takes a long time and a lot of planning. Not all of this will be done by the community but will require expert advice and decision-making. There is no doubt that the community needs to be consulted and involved but does community-led convey more than might actually occur? There may be future instances when after a catastrophic event central government makes decisions because a TLA may not be able to cope. We suggest replacing 'community-led' with 'community-focussed' as this still keeps the focus on the local community, their engagement and the incorporation of iwi and hapu in the conversations as well as TLA's and the like. The end-goal is retreat that looks to serve the community in the best way possible without putting them at further risk.

Question 2 – Are there other barriers to Māori participation in adaptation and upholding Māori rights and interests? How can we better support Māori?

Local consultation will be an important facet of retreat – including for iwi and to surface barriers related to Māori interests. It is important that all communities are continually upskilled and have access to the knowledge and insight into adaptation and climate change as well as their own prior knowledge. This will help to enrich the conversation and collaboration at the community-level.

Question 3 – Are there any other issues that affect the quality of risk assessments and local adaptation planning? How can we strengthen our approach?

There is a need for a national, consistent and comprehensive approach to risk assessment. There should be no departure from a consistent approach without very good reason. A definition or very clear guidance on 'intolerable risk' is needed as are tools such as national flood maps. Intolerable risk would be determined at the local level where the knowledge lies and where the consultation with the community will take place.

There will be a need to balance the availability of the right levels of expertise with the need to meet consistent standards of decision-making.

Territorial Local Authorities (TLAs) will come under pressure to consent development which can result in development in occurring in high risk areas or areas that will become high risk in the decades to come. TLAs need to be supported to make decisions based on current and future natural hazard risk to avoid making poor risk management decisions and to achieve a nationally consistent approach to risk management.

We know that TLAs have a wide range of capability/capacity issues which will directly impact the quality of risk assessments. A few years ago, there was a proposal to establish a one-stop shop for TLAs to draw on risk assessment expertise. That is one option to consider alongside market-based solutions. Whatever approach is adopted it must address the problem of ensuring TLAs have the capability and capacity to present evidence-based business cases to support adaptation planning decisions. If additional funding from third parties, such as, central government then reliance on expert evidence will be essential. Quality risk assessments will also support consideration of a range of adaptive pathways where retreat may be a last option.

Question 4 – Are there other issues that limit our ability to retreat in advance of a disaster? How can we improve our approach?

The primary barriers to retreat would be lack of community appetite to retreat in advance of disaster, particularly if there were financial or other wellbeing downsides to do so. This can be due to cognitive bias resulting partly from an inability to understand the scope and nature of the hazards they face. The perception of loss of wealth and the absence of alternative places to retreat can also cause resistance to move. To combat these barriers, it will be essential to raise risk awareness, provide education, easily understood information as well as undertaking long-term planning, applying consistent frameworks and offering some form of compensation on a transparent and consistent basis.

Central government needs to build a climate data portal that TLAs can use to gauge risk to individual neighbourhoods under different weather event scenarios. Modelling may be unreliable for areas that have limited or no history of flooding, but it would help to distinguish between rate of increasing risk and help TLAs to host conversations on risk with constituents. We acknowledge the work in further developing Toka Tu Ake EQC's natural hazard portal.

Voluntary retreat in advance of a disaster is highly problematic but may be achieved through long-term planning and using adaptive pathways so communities eventually conclude that no other option, but retreat exists to avoid disaster.

Question 5 – Are there other issues with the way we fund adaptation? How can we improve our approach?

The table covers the main issues. There are a couple of other additional points not covered in the table that may be worth noting. In some areas, the homeowners' funds/the value of their land/the value of their property may be so low that the ability of the homeowner to contribute to funding retreat may be limited,

especially if the relocation option is to more expensive land. This may suggest the need for relocation grants or other assistance being required. In some locations, there simply may not be any alternative land to relocate to and in rural areas there will be the added complication that the land is being used for commercial purposes (which may also act as collateral for a bank loan), so residential retreat would cause significant dislocation effects.

Question 6 – What do you think the costs are of failure to adapt or failure to adapt well?

There are many, but a few would have to include – risk to life and safety, social trauma, social disruption, economic loss, environmental loss, cultural loss, gradual and inevitable deterioration of living conditions and intolerable social consequences.

Critically, from an insurance perspective, New Zealand relies on insurance reinsurance to protect and recover from loss as well as the broader economic benefits insurance brings. Failure to adapt could lead to

New Zealand being seen as a less attractive destination for investment and reinsurance and this may put pressure on (re) insurance availability and/or the affordability of insurance.

Question 7 – What does a Tiriti-based approach to adaptation mean to you?

An important aspect of such an approach is to recognise the value of whenūa to Māori with respect to land use planning. It also recognises that value of Te Ao Māori which emphasises the relationship between people and the environment in a holistic way. It is grounded in customary values, lore and mātauranga knowledge. – Māori may regard some data as tāonga which will need to be respected appropriately.

Question 8 – What does a local mātauranga framework for risk assessment look like to you?

We understand a local mātauranga framework would provide insights derived from historical knowledge and experience of the local environment into risk assessment. This would complement other tools commonly used such as future climate change modelling and scenarios.

Question 9 – What innovative approaches to adaptation planning do you have with your own hapori?

Question 10 - How can we manage overlapping interests during adaptation planning, including where there is conflict?

Question 11 – What is your perspective on the Crown's Te Tiriti obligations to support community-led retreat? Are there existing examples of what that should or should not look like?

Question 12 – What funding approaches have worked for your iwi, hapū and hapori.

Question 13 - How many stages do you think are needed for risk assessment and what scale is appropriate for each?

We are not sure there is an optimum number of stages; rather the focus should be on the quality of the stages in assessing the risk. Reference to the Natural Hazards Planning Framework is useful. It is not clear why para 125 says street and property assessment will not be required at this stage. Some streets may be quite relevant to include in an assessment. Insurers, for instance, may differentiate the risk on one side of a street to the other.

The description of the stages is very high-level. There is no reference when considering risk to property and where people live/businesses are located to the inclusion of forward-looking climate projections, Annual Exceedance Probabilities (AEP) or the return periods for significant events. Presumably they will be, but it would be critical to have, for example, an overlay of flood AEPs that are forward looking which would give a TLA a good first pass of what is at risk.

There was also no reference to secondary perils which should form part of a comprehensive risk assessment. A cyclone may bring damaging high winds and rainfall, but it can also cause flooding and landslides.

Question 14 – How frequently should a risk assessment be reviewed?

This is likely to differ on a case-by-case basis e.g., an area of rapid cliff erosion may demand more frequent assessment than properties incrementally affected by sea-level rise. So, it is important not to expect that a particular time frequency will be appropriate for all hazards and the risks they pose. Even so, some guidance for TLAs would be useful. We suggest that where risk is deemed to be low that a risk assessment is conducted every 10 years, 5 yearly where there is moderate risk, three yearly for areas of high risk and where extreme risk exists annually. It is also worth considering not just rare and highly impactful events in assessing risk, but also smaller and more frequent events which in their totality may make certain areas intolerable to live in.

Question 15 – What do you think makes a risk tolerable or intolerable (acceptable or unacceptable)?

Intolerable risks include risk to life and safety, likely frequency of event and impact on social, economic loss, impact on loss of amenity value, employment as well as environmental and cultural loss.

From an insurance perspective, a risk will become financially intolerable when it is no longer 'sudden and unforeseen' and is therefore certain to occur. However, 'insurance retreat' may not be the same threshold as 'managed retreat'. One question for the inquiry should be to what extent insurance retreat will trigger managed retreat or vice versa.

We generally, agree that managed retreat should have a focus on high likelihood of risk to physical safety and the absence of other effective and lower cost adaptation measures. In our view, it is easier to obtain community support to undertake other adaptation initiatives than to retreat when there is no burning platform to act, such as that presented by disaster, as most people will prefer to remain in place.

We note that there is often a focus on high severity events as being the 'intolerable' ones. However, lower severity events will quickly become intolerable for residents if they occur frequently. Highly frequent lower severity events are also capable of triggering insurance retreat and should form part of the considerations around the triggers of retreat. Currently there is a risk that high profile events attract funding, but need can be severe in areas suffering repeatedly from low-profile events.

Question 16 – Do you think local risk assessments should be carried out and reviewed by a centralised agency or local organisation? Why?

Yes, if this centralised agency is able to provide a consistent approach with quality outputs which can support capability and capacity deficits that TLAs are experiencing. There was a proposal a few years ago to establish a one-stop shop for risk assessment that TLAs could use. By making use of such a resource TLAs could better present a business case for central government support where that might be needed. A

central agency would also become a repository for New Zealand-wide assessment of risk which would provide, forward-looking strategic insights that would help prioritise adaptation initiatives. A central agency could provide frameworks, reviews and resources (in terms of risk assessment tools, models etc) that could be relied on by TLAs.

We acknowledge though that a market model could potentially provide the same solution. Whether a centralised, local or market approach is taken, the problem of having sufficient capacity and capability to undertake local risk assessments must be solved. Greater sharing of data between regional councils and district councils, for instance, may contribute to better outcomes.

Question 17 – Should risk assessments be carried out by technical experts or should other people also have a role? What role should other people and organisations have?

Risk assessments should be carried out by technical experts though technical experts should not be interpreted as a synonym for scientists. Others should be able to provide input to the process including insights that can be provided from Te Ao Māori. One would expect, for instance, an assessment of the risk to social cohesion or cultural values, for example, would rely on qualitative input from impacted communities.

Question 18 – Do you think there should be a requirement to undertake local adaptation planning? If so, should the trigger be based on the level of risk or something else?

We stress the need for many communities to start adaptation planning now, to consider the full range of adaptation options and plan to avoid disaster as well as addressing the impact of frequent, lower level climate impacts. Disaster should not be the trigger for adaptation planning.

It makes no sense to talk of community-led retreat (or a more appropriate term) without undertaking local adaptation planning. Retreat will be a long process, a costly one and will; bring the most social impact. It is also likely to impact areas of cultural significance and connection to whenūa. Further, it is the option that creates most sunk costs and embodies emissions which contributes to climate change in terms of housing and infrastructure. It should therefore be the default, last resort option. It will be necessary to take intermediary adaptation stages until retreat remains the only option. This can only be done at the local level. The level of tolerable risk must be a trigger, but from time to time, catastrophe will be the trigger even though that is what adaptation should be avoiding.

Question 19 – What direction should central government provide on the local adaptation planning process?

Central government should require that local adaptation planning take a long view which extends at least out for the length of a building e.g., 50 years, considers a range of plausible climate scenarios and that regional spatial strategies are developed to include areas at risk of natural hazards. Central government should at a high level set a range of acceptable risk tolerances that TLAs can locate themselves within. Where central government may contribute to the costs of adaptation and relocation, it should have some guidance over what level of risk it is willing to mitigate/adapt to, where it expects people to pro-actively retreat and where it will cover some cost of relocation post event.

This guidance will be necessary to prevent the moral hazard of people or TLA's refusing to adapt or remaining in situ regardless of extreme risk until an event occurs and then expecting central government to pay.

Other considerations should include community consultation and include indicative timeframes for implementing adaptation stages.

Question 20 – Do you think there should be a requirement to plan for different scenarios, such as changes in the level of risk or what happens if there is a disaster? Why or why not?

Yes, it is critical to plan and be informed by the range of different scenarios that may develop in future. If only one scenario is considered, the approach will be prone to gaps. A singular approach is also inconsistent with an adaptive pathway approach which we would support. Many examples of multi-pathway planning exist. Such an approach mitigates the risk of maladaptation as well as over/under investment in risk mitigation which will be necessary up to the point when retreat must occur because no other option is available. Should disaster strike, then that is almost certainly going to change the demand for adaptation measures as has been experienced this year following the extreme weather events.

Most of the focus of this consultation document is on pre-emptive retreat. As this is a more challenging last resort option, it obviates the critical need for adaptation planning to be focusing on other adaptation measures.

The reality is that most retreat over the next decade or so will take place after disaster strikes. This means more thought needs to be applied now to that response. Currently, the response to Cyclone Gabrielle is setting a precedent, but the locally led approach is resulting in TLAs taking different approaches to retreat. It is important to set transparent and consistent expectations for communities for the post event response.

It is noteworthy that climate-related disclosures for instance apply to Climate Reporting Entities now where climate scenario is mandatory. TLAs may be held to a similar standard.

From an insurance perspective, it may be helpful to know that after disaster strikes, the impact provides new information and improves our understanding of risk. Climate models may be revised and the knowledge may point to the urgency of potential relocation that may need to be accounted for in planning processes.

Question 21 – How can we make sure that local adaptation planning is inclusive and draws on community views?

By a requirement to consult with communities, to lay out all options and to transparently show reasons for decisions that have been made to explain why/why not community input has been followed, rejected or modified. Best practise processes should be shared with councils to support their inclusive approach.

An inclusive approach will better inform decision making. It may open input Mātauranga Māori insights as well as nature-based solutions for instance.

Question 22 – Who do you think should make the decisions about adaptation pathways we choose and why? How should others be involved in the process?

Who decides about adaptation pathways should ultimately be made at the local TLA level, but those decisions cannot be made without prior input and consultation with many different stakeholders, including most importantly the affected community and infrastructure providers, acknowledging that people are likely to choose to live where infrastructure is located. It is critical for communities to be able to make informed decisions based on explicit knowledge of the trade-offs that will be necessary. If decisions require funding from central government for example, then the decision-making will require prior

negotiation with central government. It is important that in considering different pathways that insurers and banks are well informed about how each pathway will change the risk being mitigated.

Clearly though as decisions will have significant implications for people and their property rights, there will need to be an effective and efficient appeal process. These rights though must be balanced and have limitations. An evidence-based risk assessment should not be capable of being challenged, but appeal rights may be more appropriate in relation to decisions about what is to be done to address the risk. On the other hand, the RMA process does allow for lengthy appeal processes which ought to be avoided. There will also be times when extreme risks to people and property require the need for action to be taken with allowing appeal rights under prescribed circumstances.

Question 23 – What do you think are the most important outcomes and principles for community-led retreat?

We support the outcomes and principles listed in Table 7, but note that these are all about positive outcomes, but we would expect the avoidance of negative outcomes, such as not leaving people homeless, ought to be considered too. It is unclear what is served by trying to rank the importance of outcomes as all are necessary and none can be achieved without reliance on another. A similar comment applies to the principles.

Other outcomes and principles should be considered. These could include:

- ensure relocation options are to areas where risk is well managed.
- ensure good risk management of land where retreat has occurred reflecting the uncertainty of climate change impacts.
- ensure clear and consistent approaches to compensation.
- ensure targeted and proportionate decisions.

Question 24 – Do you prefer Option 1 (voluntary) or option 2 (a mix of voluntary and mandatory parts)?

We prefer Option 2 to retain sufficient flexibility to both remove the risk while at the same time acknowledging that individual circumstances will need to be considered. Importantly, insurers will still make their own assessments of risk based on what action is taken regardless of the option chosen.

Question 25 – Do you agree that affected land should no longer be used at the end of a retreat process (with limited exceptions for things like ceremonial events, recreation, some agricultural or horticultural uses and mahinga kai gathering)? Why or why not?

Where land can still be used without posing an intolerable risk to life and safety, then that should be permitted. The examples cited in the question would seem to be the type of permitted activities if mandatory retreat is implemented. If voluntary retreat is deployed, then residential use may not be supported by councils, but presumably would not be prohibited for incumbent dwellers. This would assume that there is a prohibition on future residential building. It will be critical though that if land has been assessed as too at risk for residential dwellings, for example, these decisions need to be future-proofed so that social pressure does not undo those decisions and create fresh risk. The caveat on that though is that in the years to come new adaptation solutions may emerge where land use change could be reconsidered.

Question 26 – Do you think there should be any other exceptions? If so, what, and why?

There are commercial activities using plant and equipment that could be permitted if they did not present an intolerable risk to life and safety. We note the approach taken with respect to Category 3 properties in the Hawke’s Bay where some commercial activity will be permitted.

Question 27 - Do you agree that these powers are needed to ensure land is no longer used once a decision has been made to retreat? What powers do you consider are needed?

Yes, these powers would be required if the policy decision is to extinguish or limit private property rights. We also believe these powers would need to be used quite often because current incentives are not sufficient to get people to move pre-event.

Question 28 – What do you think the threshold or trigger should be for withdrawing services once a decision has been made?

The trigger for withdrawal of services should incorporate sufficient time for people to make the necessary adjustments. An appeal to an independent authority should also be permitted.

Question 29 – In what circumstances, if any, do you think decision-makers should be protected from liability? What are your views on Options A, option B or any other possible option?

We would support B as this would encourage decision-makers to consider whether retreat is necessary to avoid harm.

Question 30 – Which parts of the current system work well, and which do not? Are there any other issues with our current approach to adaptation?

The current system has few parts that work well, or else New Zealand would not face aging infrastructure and an inability to cope with flooding and landslips. Many properties have been consented and built in areas of high risk or increasingly high risk due to the impacts of climate change. There are several examples of post-event responses to adaptation including following this year’s extreme weather events but few where pro-active steps have been to reduce risk over the long term in light of climate change.

High risk areas need to be identified and a consistent framework applied for considering the tolerability of risk in these areas now and over the years to come. This should then lead to a formula to assist central government and TLAs to prioritise funding adaptation measures which may ultimately lead to retreat. Innovative ways of funding investment in pre-event adaptation needs to be developed to attract private sector investment too. Individuals also need to understand the formula of their own contribution toward reducing risks to their own properties.

However, as the commentary identifies, there are a broader category of those who benefit from adaptation than those that would be directly impacted if disaster were to occur. Also, as we have noted, some who would be directly impacted may not have the resources to pay though some contribution should be required. This suggests that a mix of central, local and individual contributions is required to fund adaptation.

Clear and consistent rules must apply to prevent new development in areas of intolerable risk.

Question 31 – What do you think are the most important outcomes and principles for funding adaptation?

We are surprised to see life and safety risk reduction omitted from the outcomes which ought to be the most important. We would also strongly support shifting the emphasis from post-event to pre-event adaptation. Numerous studies show that each \$1 invested in adaptation will save at least \$5 in post-disaster costs. It is critical to incentivise better decisions, so that principle would seem to be the most important of those listed.

Question 32 – In what circumstances (if any) do you think ratepayers and taxpayers should help people pay for the cost of adaptation?

The cost of adaptation or failure to adapt will be borne by everyone to some extent. We agree that where there is high risk, limited ability to pay, physical or mental vulnerability and limited protection in place that that should trigger some form of assistance to pay for adaptation measures where a cost-benefit analysis supports adaptation measures. This is recognised in many other areas and with respect to the design of the safety net provided by the welfare state. However, a line needs to be drawn around those who in good faith bought property in that past that have become high risk today or will become high risk in the future and those who bought knowing that the risks existed or would materialise. Certainly, there should be no assistance for adaptation funding for future developments that occur in known high risk areas.

This could be further emphasised. It was a strong component of feedback on flood intervention options.

Question 33 – In what circumstances should central government help councils to meet adaptation costs?

This is really a matter for Government policy and without a sense of the costs involved it is difficult to answer. In principle, where councils cannot afford to fund adaptation costs where the risks are intolerable or where adaptation also brings wider national benefits. Again, there should be no assistance for future developments in high risk areas. It is important to incentivise TLAs to make the appropriate risk management decisions.

Question 34 – What are the benefits and challenges of providing financial support to people needing to retreat?

If people cannot afford to retreat, then they are unlikely to move unless mandated to do so. If they remain, they will likely face life/safety risks, deterioration in the value of their property, socio-economic distress and loss of amenity, and environmental value. These outcomes are not desirable.

Clearly, the provision of financial support raises equity issues and can create moral hazards. People may be encouraged to live in high risk areas knowing that they will be assisted out of those areas. This would create perverse outcomes that must be avoided.

Question 35 – Are there any approaches for providing support to people needing to retreat that we should consider?

In principle, approaches should incentivise retreat and disincentivise staying, where risk to life and safety exists. Insurers, for instance, may not provide cover and banks may not provide loan support. Similarly, the degree of ongoing service support for infrastructure to service these properties should also be limited.

Question 36 – What are the benefits and challenges of providing financial support to businesses needing to retreat?

In many respects the benefits and challenges of providing funding support for businesses do not differ fundamentally from homeowners. Most businesses in New Zealand are very small with the office location being their own home. Farmers, orchardists and other who live and work the land where they live for a living may find it difficult to easily separate their residential and business interests. Their residential home may also act as collateral for the loan for their business. There is a grey area to manage if support is differentiated on the basis of being residential or commercial.

Question 37 – What should central government's initial funding priorities be and why? Which priorities are most important and why?

We concur with the priorities identified in table 12. Priorities should focus on risk to life and safety and where the largest number of people are affected. Priorities will differ by location and level of risk. For instance, where home resilience funding makes practical sense, it should be supported, but in some area where area-wide flood remediation is needed individual property resilience may have limited value.

Question 38 – How could central government communicate its investment priorities? Please indicate which option you think would be most effective and explain why?

The approach that establishes the greatest clarity and certainty of funding to adaptation should be adopted. All too often more immediate short-term priorities overtake the need to undertake long-term preventative action which results in more costly outcomes. Option 1 with a legislative mechanism to lend legal weight to medium to long-term funding is our preferred option. Such an approach would not preclude Option 2 nor indeed Option 3 which recognises the need to update priorities as circumstances change. So, all three options should be deployed in our view.

Question 39 – Should funding priorities cover councils as well as central government?

We see no reason why councils should not provide the same transparency around their funding priorities for adaptation. This would support accountability for implementing adaptation measures.

In response to both this and the previous question, there will be a need to address intergenerational fairness with respect to funding. It is not going to be possible for today's generation of 5 million people to fund the adaptation required for decades to come.

Question 40 – How can the banking and insurance sectors help to drive good adaptation outcomes?

Insurance can support good adaptation decisions by providing information and data about risk. Insurers can inform their customers of the risks to their property and how these may change over time. They can provide aggregated data on past claims overlaid with hazard models to help inform historical and likely high-risk areas in future to help contribute to adaptation decisions. They can calculate the aggregated loss to properties under various climate scenarios to help inform cost-benefit analysis of investment in adaptation options. It will be necessary either to structure data sharing agreements in such a way as to avoid Commerce Act implications or for specific waivers to be provided by the Commerce Commission to enable collaboration to occur where the benefits to consumers clearly outweigh any harm from collaborating. Consideration may need to be given to the Privacy Act with respect to the purpose data was

collected from customers and the extent to which it may be shared with other entities if it is necessary to provide property specific data to inform adaptation decisions.

We think the banking sector also has a role to play in supporting adaptation and disincentivising high risk behaviour.

Question 41 – What solutions should be explored for funding and financing adaptation?

Funding adaptation has clear benefits in avoiding more significant future costs. Often though securing private investment for such projects may be challenged by high up-front costs, lack of certainty around returns on investment over the long-term and other barriers. Central government may be able to encourage private investment by meeting such up-front costs or providing a guarantee for a partial return on investment.

Question 42 – Are there any other issues that make it difficult to adapt during a recovery?

We agree with the issues identified that can make it difficult to adapt during a recovery. Consenting processes and backlogs in a widespread event can make it faster for owners to reinstate properties ‘as-is’ rather than make adaptations to their homes that might otherwise reduce risk. Time and cost here disincentivises positive risk reducing behaviour. Area-wide adaptation measures may take a number of years to implement. This obviates the need for more streamlined decision making by TLAs to provide certainty sooner for residents about their adaptation intentions.

Question 43 – Do you think our approach to community-led retreat and adaptation funding should be the same before and after a disaster? Why or why not?

There are benefits to maintaining a consistent approach before and after an event and great care is needed to avoid adverse incentives. If differences exist, they may alter the dynamics that may incentivise adaptation. If funding is more generous after disaster strikes and the local perception is that disaster may not strike and that there are other priorities to spend on other than adaptation, then we will invite disaster and not reduce risk. We note this year that some TLAs have provided 100% compensation of property value for residential retreat regardless of whether the property is insured or not. This is not a precedent that should be set for the future. There is a case to make funding for adaptation less generous after a disaster to incentivise pre-event adaptation. Similarly, given the barriers to retreat discussed earlier, pre-event retreat funding may incentivise it occurring, but as noted earlier retreat should be regarded as the last resort in the chain of adaptation options. However, experience suggests that the political pressure to respond with generous funding after a disaster is often overwhelming. Perhaps a better approach to consider would be to design access to funding in a way that strongly encourages pre-event adaptation. For instance, providing capacity and capability support to undertake risk assessments and develop funding business cases, would enable decision-maker to be best placed to undertake pre-event adaptation. They could then be eligible for more generous funding support if they undertake the work. This could be dovetailed with a cap on funding support for similar mitigation if funding is sought post-event.

I would like the opportunity to make an oral submission to the Committee and to answer any questions this written submission may give rise to.

Yours sincerely,



Tim Grafton CMInstD
Chief Executive