

18 April 2024

Environment Committee
Parliament Buildings
Wellington

Dear Committee Members

ICNZ SUBMISSION ON THE FAST-TRACK APPROVALS BILL

Thank you for the opportunity to provide this submission to the Environment Committee on the Fast-track Approvals Bill.

Te Kāhui Inihua o Aotearoa / The Insurance Council of New Zealand is the representative organisation for general insurance companies in New Zealand. Our members collectively write more than 95 percent of all general insurance in New Zealand and protect well over \$1 trillion of New Zealanders' assets and liabilities. Members include both insurers and reinsurers. ICNZ is a supporting institution of the UNEP's Principles of Sustainable Insurance and the Sendai framework on disaster risk reduction.

We acknowledge the purpose of the Fast-track Approvals Bill to provide a fast-track decision-making process that facilitates the delivery of infrastructure and development projects with significant regional or national benefits. We specifically support the establishment of a fast-track pathway for projects which will support adaptation, resilience, and recovery from natural hazards. However, it is paramount that the Bill does not inadvertently provide a pathway for projects which expose communities to excessive financial and physical risk of natural hazards. Decision-makers should take a long term view that supports the broad availability of insurance by avoiding new development in high risk areas.

A sustainable insurance sector, one where cover is available and affordable for New Zealand homes and businesses, needs a consistent and comprehensive approach to ensure land use and development supports tolerable levels of risk.

The Auckland Anniversary weekend weather event and Cyclone Gabrielle in 2023 led to a surge of over 110,000 claims with a current estimated value of \$3.75 billion. These events highlight the need for a stronger focus on land use and development that emphasises climate change adaptation and resilience. The 2023 events have shown that land use planning needs to be improved to ensure that communities are not exposed to unnecessary risk.

It is critical that New Zealand avoids further investment in new property and supporting infrastructure on land that is vulnerable to natural hazard risks. Where the risks become too high, insurance may not be affordable or available and banks may shorten the terms of loans for at risk property, with a consequential fall in asset prices. If property value or the property itself is at risk, pressure falls on government to invest in protection or compensate owners.

Allowing development in higher risk areas will result in, at best, costly and potentially uneconomic protection measures needing to be put in place or, at worst, interruption, emergency response costs and eventual managed retreat and/or claims for compensation which government (and ultimately rate and tax payers) have to meet.

Recommendations

We therefore recommend the Bill be amended to strengthen the ability of the Expert Panel and joint Ministers to take into account natural hazard risks and climate change risks. Further, when considering whether an infrastructure or development project will result in significant regional or national benefits, the long-term adverse economic and social impacts of developing in areas vulnerable to natural hazards are taken into account.

Measures that would go some way to achieving this include:

- Strengthening the requirements about what information about natural hazards should be included in a referral application so that joint Ministers can make a more informed decision about whether to use the fast-track approval process. Clause 14(4)(v) currently only requires that applicants include a “description” of whether and how the project would be affected by climate change and natural hazards. This appears to be a relatively high-level requirement and does not contain any mechanisms to ensure that applicants provide information in a consistent manner.
- Amending clause 21 to empower Ministers to decline an application, even if they are satisfied that it meets the eligibility criteria, if the Ministers consider that the project’s exposure to natural hazard risks is too high.
- Ensuring that the Expert Panel gives appropriate consideration to natural hazard risks. Clause 32 of Schedule 4 empowers the Expert Panel to consider the provisions of any policy statement made under the Resource Management Act 1991. This emphasises the importance of progressing the development of a robust National Policy Statement on Natural Hazard Decision-making.
We support the ongoing work by the Ministry for the Environment to develop a National Policy Statement on Natural Hazard Decision-making. We acknowledge that the proposed National Policy Statement for Natural Hazard Decision-making is viewed as the first phase towards improvement of natural hazard risk management in local authorities’ decision-making processes. While we agree that this is important and necessary in the short-term, we emphasise the need for continuing this work with a second, more comprehensive phase in the future.

Finally, we note that clause 17(3)(h) currently provides that, when considering whether a project should be referred to the fast-track approvals process, joint Ministers may consider whether the project will support adaptation, resilience, and recovery from natural hazards. We support this.

ICNZ would like to appear before the Committee to speak to our submission. Please contact Susan Ivory (susan@icnz.org.nz) if you have any questions on our submission or require further information.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Kris Faafoi', with a stylized, cursive script.

Hon. Kris Faafoi
Chief Executive

A handwritten signature in blue ink, appearing to read 'Susan Ivory', with a clear, legible script.

Susan Ivory
Regulatory Affairs Manager