

Environmental Defence Society Annual Conference

Agenda for Fresh Water Reform

8th June 2009

Hon Dr Nick Smith

Minister for the Environment

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Kia ora hui hui tatou katoa.

Great to be here this evening. I thank you for this opportunity to be part of your important 2009 conference. It is aptly titled “Reform in Paradise – threat or opportunity?” It will not surprise you that I want to push the “opportunity” part of your conference theme.

I have attended numerous EDS conferences in various roles but this is my first as Minister. I want to use this opportunity to set out the new Government’s ambitious environmental agenda and to make some specific announcements about a New Start for Fresh Water.

The Big Picture

First up – the big picture.

There are five major drivers to our reform agenda.

Last century’s politics equated environmentalism with more regulation, big government and anti-capitalism.

Today it is well recognised that successful environmental policies need a strong market economy and vice versa. Marrying together successful economic and environmental policies is the new paradigm.

To be a 21st century environmentalist does not mean being an apologist for inefficient, costly bureaucracy.

A good example of this is the problems with the long delays with the Resource Management Act, which will be highlighted later this week, when I release the biannual survey showing record high non-compliance with statutory timelines. Our objective has got to be good environmental outcomes without costly bureaucracy and is a key driver to the Government's first phase of Resource Management reforms.

A More collaborative approach

The second driver to our reforms is a more collaborative approach to environmental governance.

New Zealand's environmental debates have been characterised by polarised, adversarial campaigns with politicians picking winners and losers.

Sector groups, both industry and environmental, have tended to take extreme positions in the hope that it will move the balance their way, rather than engaging and finding solutions with other stakeholders. This culture has not served New Zealand well.

One of the worst examples has been the debate over freshwater where in recent years Fish and Game has run a "dirty dairying" campaign, while Federated Farmers have responded with accusations of "economic treason".

There have been successful collaborative processes like the 1991 Forest Accord and the more recent Fiordland Marine Guardians approach, but they have been few and far between.

National is ambitious to change the culture. Our thinking has been influenced in this area by the work of Ecologic, funded by the Foundation for Research, Science and Technology, on collaborative governance in the Nordic countries, a topic of detailed discussions at recent EDS conferences.

It's not just in the Nordic countries and New Zealand where there is new thinking about contemporary environmental governance.

Professor Robert Durant of American University and Professor Malcolm Sparrow at Harvard have both written of a shift from first generation environmental management

systems from last century. Rather than bureaucratic, prescriptive and adversarial processes, second generation systems are based on results driven collaborative governance processes.

Central Government leadership

A third strand to our reform programme is a greater level of leadership from central government on environmental issues.

The Resource Management Act is the most devolved environmental statute in the developed world. While it has provision for national policy instruments, these have been rarely used.

The new Government believes this has compromised our environmental performance and added to the cost to the economy of the Act.

Our reform programme includes not only a far greater use of these national instruments, and the strengthening of their status in the Act, but also the creation of an Environmental Protection Authority to give this much needed leadership.

Focused environmental outcomes

The fourth dimension is to move the debate on from vague sustainability rhetoric to focused environmental outcomes underpinned by good science and technical skills.

We want clearer and more specific goals on what we are attempting to achieve in our environmental programmes.

We want stronger emphasis on practical technical skills at district, regional and the national level, and in the decision making focus of the Resource Management Act.

We need to lift the quality of our district and regional plans with less vague “motherhood and apple pie” statements and more specifics on what the plans seek to achieve.

We want to lift the frequency and quality of environmental reporting so that we can move beyond slogans to actually measuring our progress in achieving our long term environmental goals.

Role of Māori

The fifth dimension to our reforms is unique to New Zealand and that is the role of Māori in resource management. It flows from the Treaty of Waitangi settlement process but also from the important relationship National has built with the Māori Party.

We need to provide for more effective ways for iwi involvement in resource management issues. The foreshore and seabed debacle illustrated how not to do it. The work on the Waikato River settlement is testing some of the best minds on how co-management can be made to work for all New Zealanders.

The fear that some have that Māoridom will only curtail economic development is misplaced. As iwi have grown in financial strength, they have strong interests in the utilisation as well as the protection of natural resources.

And so to summarise the strands of our reform agenda:

- It's about recognising that economic and environmental policies need to be more closely linked
- Its about a shift to a more collaborative style of environmental governance
- It's about a stronger leadership role for central government
- It's about stronger scientific and technical underpinning of policies and plans
- And finally it's about enhancing the role of Māori in resource management

This broad approach should come as no surprise. They are consistent with the Bluegreen Vision for New Zealand published by National during the last term, albeit with the additional focus on the Treaty process and Māori involvement arising from our confidence and supply agreement with the Māori Party.

Freshwater management

I also this evening wish to give a context to this work on freshwater and the Government's broader environmental priorities. The Budget and the Ministry restructuring being led by Chief Executive Paul Reynolds has seen a reconfiguration of where the new Government is heading on environmental issues.

Freshwater management is our second most important area of work, second only to climate change. An additional \$2.1 million has been prioritised to advancing this 'New Start for Fresh Water' work programme. Our other priorities, in order, include biodiversity protection, ocean management, implementing the new Waste Minimisation Act and improving air quality.

Our work on freshwater also fits within the broader framework of our second phase of RMA reforms. The first phase was focussed on general streamlining and simplifying of the Act. Within the second phase, consisting of 10 discreet work programmes around specific resource issues, the freshwater work is the most complex and challenging. We will be advancing Phase II reforms on a far slower and considered timeframe.

Challenges facing New Zealand

Water needs to be well managed to provide for this country's economic development and growth, for our society and other values important to New Zealanders.

We have a competitive advantage in primary production, energy generation and tourism partly because of the abundance and quality of our water and international perceptions of New Zealand's '100 per cent pure' environment.

Let me put a few bald facts about water in New Zealand:

Firstly, New Zealand is well blessed with freshwater. In 2006 our per person total abstractive use at 1 million litres per year is amongst the highest internationally, yet New Zealand's total abstraction amounts to just 1% of the total rainfall across our country.

Secondly, New Zealand has been experiencing a boom in intensification of agriculture since 1990. The area of irrigated land has more than doubled albeit that it is still only 5% of our total agricultural land and a third of that which could be irrigated. Nitrogen fertiliser use has increased by more than five fold and phosphate fertiliser use has more than doubled. This intensification has seen agricultural production and export receipts increase by 50% and kept our balance of payments deficit in check.

Thirdly, while New Zealand water quality is amongst the very best internationally, there is increasing evidence of deterioration. Lowland streams and lakes are being increasingly polluted, and the taxpayer is having to fund substantial clean-up initiatives with over \$450 million committed to Lake Taupo, Rotorua Lakes and the Waikato River over the next two decades.

The issue underlying all others is that we are hitting resource limits. And in some parts of New Zealand we are already exceeding the amount of water that can be taken from our rivers, lakes and groundwater. We are also seeing deteriorating water quality in some of these water bodies.

To deal with these challenges, we need to make difficult balancing decisions between environment, economic potential and other values. This is going to involve considering and balancing the many values we hold around water. We need to accept that water is a finite resource, and we need better tools to manage it.

Process for Fresh Water Reform

This calls for a new direction for fresh water.

A three pronged approach will underpin implementation of this new start for fresh water. These are:

1. A collaborative process led by the Land and Water Forum. We need to establish some common understanding on outcomes and goals for New Zealand. I see this collaborative process as developing a shared understanding of outcomes, goals and long-term strategies for freshwater management.
2. In parallel to the collaborative process, we will continue ongoing engagement between the Crown and iwi leaders. Fresh water is a major natural resource issue for Māori, both because of its cultural significance and also its economic value.
3. At the same time, central government will do the background and technical work needed to scope policy options, and to develop tools to support the Government's policy direction.

These three approaches will be coordinated, and there will also be wider consultation on more detailed options further down the track.

It seems like a good opportunity to announce the new direction for water management at this conference. Many of you will know that the Sustainable Land Use Forum was established after this Society's conference last year. The Forum currently focuses on sustainable primary production. It comprises a range of industry groups, environmental and recreational NGOs, iwi groups and other relevant organisations.

In asking the Sustainable Land Use Forum to spearhead a collaborative process, I have asked that they expand its original membership to include: iwi representatives, members of the Turnbull Group (a forum convened by Water New Zealand focusing on urban water issues) and other industry representatives. Observers from central and local government will also take part in this expanded group now aptly named the Land and Water Forum.

Crown engagement with Iwi leaders will continue, with a major part of this being the joint Māori work programme. This programme comprises a series of research projects and other work on the issues of most interest to Māori.

During the Land and Water Forum's collaborative process and the ongoing engagement with Māori, there is considerable work that can be done immediately by central government. Much of this policy work will continue or build on existing knowledge and work streams. It will still allow the final choice of solutions to be shaped by both the outcomes of the joint work programme with Māori, and the collaborative process.

Indicative direction for water management

We would like to see New Zealand society get the 'best value' from New Zealand's water resources, now and for the future. The concept of 'best value' needs to be determined by looking across economic, environmental, social and cultural dimensions, and by weighing up individual, local and national interests.

The main elements of the Government's policy direction should:

- ensure that water contributes to New Zealand's economic growth and environmental integrity

- provide stronger central government direction and leadership
- set some limits and bottom lines to shape the actions taken on managing water quality and allocation
- explore supplementary measures to address the impacts of land use intensification on water quality
- develop an allocation regime that provides for ecological and public values, and then seeks to maximise the return from the remaining water available for extractive use
- identify the contribution water infrastructure (including storage) could make to better water use, and address barriers to achieving this
- address some of the scientific, technical, information and capability gaps that hold back improved management, and
- maintain Treaty-based engagement with Māori on water management options.

Let me expand on some of those points.

Providing stronger central government direction and leadership

We need to consider whether decisions around water management are being made at the right level.

New Zealand's highly devolved resource management frameworks mean that regional councils make almost all technically and politically difficult decisions on water. This includes setting community outcomes, often with limited guidance or support from central government.

We need to review whether important decisions about fresh water are being made at the right level. This said, we recognise that catchment-based management is a fundamental strength of our current system, and that this needs to be kept at the forefront of any review.

Governance and decision-making options must also be linked to any broader developments in local and central government responsibilities. This includes the findings of the Royal Commission on Auckland governance, the creation of an Environmental Protection Authority, and development of co-management provisions to deliver on the Treaty settlements and agreements for the Waikato River.

Identifying the contribution of water infrastructure and addressing barriers

Some parts of New Zealand have a lot of water at times and too little at others. Much greater use of water storage and distribution infrastructure can manage this variability better, with consequential benefits for productivity.

Well designed storage and distribution infrastructure can have other benefits too, such as adapting to climate change. There are potentially better environmental outcomes, so long as any resulting land use intensification is well managed.

We need to do more work on determining the appropriate role of central government in water infrastructure decision-making and investment.

Developing an allocation regime

Any models we decide to use for freshwater allocation need to encourage economic efficiency and growth, and provide for public purposes or community values, including Treaty and settlement interests, drinking water, biodiversity protection, the ability to swim and fish, and intrinsic values.

These values need to be identified and addressed, and weighed up against other values if appropriate, before water for economic purposes is allocated. Once the amount of available water (or acceptable contaminant load) is determined, it is appropriate to maximise the economic value of that water through measures which encourage the water to go to its highest value uses.

There are some matters to be worked through in designing and implementing a better system than we currently have. Many of these matters are values-based rather than technical. We will consider Treaty and settlement interests. We will also need to identify the best means to designate and protect waters of national importance for their economic or environmental values.

Essentially, we need to move away from our current first-in-first-served system to a system that is focused on getting the most value, in a broad sense, from the use of our water. This is going to require change. It is going to be challenging, but is something we must do.

Addressing water quality and land use

Poor water quality might well be a bigger long-term threat to New Zealand's economy and environment than inefficient allocation, and is also a major concern for communities.

Measures targeted at water quality improvements will include improving land use practices and developing robust allocation mechanisms to decide who may pollute, and where. To maintain the status quo in water quality in some catchments may also require changes in land use, not just the application of current best practice to existing uses.

Where we go from here

At the moment, the Ministry for the Environment and the Ministry of Agriculture and Forestry, with other departments, are developing a work programme that will expand on the issues I have discussed today. In the next couple of months I expect to be able to outline this programme. I can tell you now it is likely to involve a wide range of tools.

Much existing work on water management tools will continue such as the proposed National Policy Statement for Freshwater Management and the proposed national environmental standards for measurement of water takes.

A lot of work also carries on outside central government such as the management of natural resources by local government, industry initiatives, and community action. We will continue to encourage these initiatives through the Sustainable Management Fund, MAF's Sustainable Farming Fund, and existing research funds, to name just some of the support mechanisms Government currently has in place.

In order to move forward with identifying options and policy work for a new direction, a lot of work needs to take place over the next year. I expect the Land and Water Forum-led collaborative process to run over the next year.

Following this, Ministers will discuss the Forum's findings with Iwi leaders and seek public comment on preferred options before taking any policy decisions.

In the end, decisions on reform of freshwater management will need the support of Parliament. I want to acknowledge the support of the Green Party for the framework announced today who have been consulted on the Cabinet paper supporting this work. They strongly support this collaborative process for getting better freshwater management.

Can I conclude by again thanking EDS for the initiative last year in getting this collaborative process of governance on water started. Going back to your conference theme, this is an exciting opportunity for positive reform in paradise.

Note: below is a link to the Ministry for the Environment website containing the New Start for Fresh Water Cabinet paper.

<http://www.mfe.govt.nz/issues/water/freshwater/new-start-for-fresh-water-paper.pdf>