



## PCE Notes for Meeting with Minister Bishop re. RM Reform on 7 August 2025

- The essence of the reform seems to be reducing the need for consents for lower risk activities by providing for many more permitted uses subject to standard conditions. This ideally would free up resources to focus on the most important things. Essentially, the scheme is swapping managing risk up front to responding to effects post-implementation. In the current system, we can get away with less comprehensive environmental monitoring because more risk is filtered out before activities start.

The new system will require an increase in monitoring and compliance of activities to ensure standards for permitted activities are met. And a corresponding increase of state of the environment monitoring to ensure environmental limits don't risk being breached, as greater risk is borne by the environment with the reduced effects threshold. Both an increase in permitted activities, and the reduction of the effects threshold, increases the risk of cumulative effects, which will need to be an important focus for increased monitoring.

- This seems reasonably do-able in urban NZ where property rights (both public and private) are well defined, information is dense, externalities easily detected and there are plenty of people interested in ensuring compliance.

You seem to have your mind around this pretty clearly and I don't have a lot to offer with respect to urban New Zealand.

The one point on the urban side where you may need to do some more thinking about is green space. We may be able to help there.

- Where the reform loses definition is in rural New Zealand. Property rights are much less well-defined and policed (particularly in respect of publicly owned resources like water), information is very uneven – in some cases non-existent – and externalities do not map easily onto property boundaries making limit setting and enforcement hard.

There are a lot of consents out there for taking water or discharging waste where the resource is constrained and resource use is reasonably intense: such as dairy shed effluent ponds, water for irrigation etc. But large areas of rural NZ are occupied by existing uses that don't require consents for the basic activities of extensive grazing or planting trees. But there are still externalities – sediment, *E. coli*, N&P, etc. The cumulative effects of those

pollutants need to be managed and monitored closely to ensure the environment does not deteriorate and environmental limits are not at risk of being breached.

- The reform talks about ‘enabling markets’. It’s a nice conceptual solution, but markets require more information than any other type of environmental regulation and we just don’t have it. They also work best where there is liquidity – lots of trades that generate price information. To operate a market to reduce 20% of the nitrate entering Lake Taupo cost \$80m. There aren’t many trades. Water scarce areas like Canterbury lend themselves best to this approach.
- There’s going to be a need for a wide range of policy tools from markets to regulation and a key issue is going to be who is responsible for what. I have seen nothing that suggests we can or should move away from taking key decisions at a regional level. NZ has managed soil and water at the level of the catchment since the 1940s. It would be a disaster if that were undone. The Prime Minister has not built confidence by saying he’d happily do away with RCs.
- A more useful way forward is to ask what must be done regionally (to maintain the coherence of catchment management) and what could be done better centrally. Who is best placed to make decisions in the system?
- We did a lot thinking about this in the context of *Going with the Grain*.
  - We identified *the catchment* as the absolute bedrock unit for understanding environmental effects; and specifically explained that property boundaries were a poor proxy for environmental responsibility.
  - We suggested that the region was the level at which limits and rules needed to be set, BUT decisions on how to meet those limits needed to be a bottom-up affair led by groups like catchment groups. To enable them to do the job, we noted that they needed good information and that the taxpayers was the best entity to provide that.
  - The reality is that the landscape isn’t uniform – not even nearly – and problems originate in hot spots that usually cross property boundaries. Collective action is needed to make progress – and to find out what works.

- There is a question to be determined about what should be done regionally and what should more sensibly be tackled by central government. Your EAG talked about “safeguarding the environment and human health”. I don’t think that can be done exclusively from the centre. Regional Councils currently conduct a wide range of functions that intersect the physical environment: managing water quantity and quality, sediment, flood control and drainage, biosecurity, hazards, contaminated sites etc.
- All require high quality data that the government should backstop but deciding how to use it is best done at the regional level. Who does the ‘deciding’ could be a mix of elected and appointed people. I don’t have strong feelings about that.
- How information is gathered, managed and used is of cardinal importance in defining a division of labour between the centre and the regions.
  - The introduction of a consistent and comprehensive requirement for spatial planning *will rely on accessible and detailed environmental information.*
  - Greater use of compliance monitoring and enforcement *will rely on better information.*
  - Managing catchments to stay within regionally specified limits *will require much better information and modelling capability.*
  - All of this will be costly. Some of the increased CME costs may be recovered from users. But many of the information demands of a system that needs to be able to monitor outcomes, predict cumulative effects and empower resource users like catchment groups and irrigators would be better funded from the centre.
  - This is a small country – reinventing the wheel on data gathering and processing in every regional council doesn’t make sense. A strong technical hub in the EPA would be the best solution. It could acquire a regional presence by taking over some technical functions from Regional Councils. Or it could work with those teams in a looser way. The key challenge is to find a way of attracting and retaining really good people.
  - **In our view, the CBA for the reform seriously underestimates the costs of CME and state of the environment monitoring** - see the Castalia report.
- We’d be happy to work with you as you develop your thinking. We have a lot to do with all levels of government and we’re particularly keen to see this reform succeed since we have now been at it for six years and the costs of uncertainty are high; the costs of not achieving a durable consensus are even higher.