

Environmental reporting, research and investment

Do we know if we're making a difference?

Summary for parliamentarians

October 2022



Parliamentary Commissioner for the Environment
Te Kaitiaki Taiao a Te Whare Pāremata

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Introduction

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The government spends over \$2 billion each year on the environment. We need to know how we are affecting the environment, and whether the actions we are taking to improve it are working.

This report completes a cycle of work I have undertaken over five years. It has become clear to me that while there are links between the environmental information we collect, the research we undertake and the money we throw at environmental problems, they are often tenuous, lacking in transparency and governed by short-termism.

We need better environmental information to inform decision making. For example, without adequate freshwater monitoring, it is impossible to know whether our rivers are being sustainably managed and water flows are high enough to sustain the lifeforms within them.

Knowing more does not necessarily lead to doing more, nor does spending more money on a problem mean we are fixing it. What matters for environmental stewardship is how effectively any expenditure is supporting the health and resilience of the environment. Better information is one of the pillars that can support this.

While there are costs to generating and using environmental information, there are also consequences from not having this information available to inform decisions. The contamination issues following widespread use of per- and polyfluoroalkyl substances (PFAS) in firefighting foams could have been better managed if we had possessed information about how much and where it had been used.

Government decisions – and their consequences – need to be capable of scrutiny. Only then will we know whether these decisions have made a difference to the health and resilience of the environment.

This will not always be politically palatable. Unexpected and inconvenient things will come to light. Targets may prove to be unreachable. Popular policies may be shown to be ineffective. New and emerging trends may strand even the most carefully considered policies.

None of this should deter our politicians. If some of the ominous trends we see for biodiversity, water quality, chemical pollution and greenhouse gas emissions are really going to be taken seriously and treated with the urgency they demand, everyone must be prepared to be accountable for what they are doing about them. Accountability based on good data and mātauranga Māori has to be at the core of any democratic engagement with environmental management.

Public accountability emerges as the principal theme of this report. And for there to be accountability, there has to be **clarity and transparency** about what it is we are trying to achieve. These choices need to be based on adequate information.

The scale and complexity of environmental challenges is not well handled by our current system of public accountability, in part because it focuses on individual agencies. We need to know what is happening at the level of the government as a whole, in a way that is accessible and capable of scrutiny.

We simply do not have this at present. This report makes recommendations to fill the voids and connect the dots.

Inadequate information can make for costly decisions

My previous three reports on environmental information recommended that the Government:

- Improve the evidence base to provide a reliable picture of the state of our environment so that the environmental reporting system can help us to focus our environmental stewardship in the right places.
- Develop an unambiguous national-level environmental research strategy, and establish an independent environmental research council to allocate ringfenced environmental research funding in alignment with the strategy.
- Change the budget process to improve the way environmental considerations are handled and communicated through its different stages. The process must mitigate future risks, uncertainty and tipping points and ensure the long-term nature of environmental impacts is not ignored.

This report recommends that the Government:

- provides national leadership in gathering environmental information
- provides clarity on the environmental outcomes that have been given priority and how it will achieve them
- supplies information about the impact that spending is having and the progress we are making
- communicates this information transparently at a whole of government level to parliamentarians and citizens alike.

Mounting environmental liabilities

2

Where resources have appeared to be 'free' and seemingly unlimited, there has been little urgency to measure and manage them. But the natural environment's capacity to continue to support our social and economic demands into the future has become increasingly compromised.

Many known aspects of the natural environment are in a state of decline. Failing to respond to environmental issues is not cost-free – it simply defers costs into the future. Since costs tend to compound over time, ignoring them means that the costs of remedying them will eventually become unaffordable.

While some of these liabilities relate to environmental issues that have only recently been revealed to be serious, we have known about others for a long time. It is certain that even more will emerge down the track – especially if we know little about the state of our environment. How many more wilding conifer-sized problems are waiting in the wings?

The public finance system needs to resource environmental reporting and environmental research sufficiently to match the scale of the environmental challenges we face. Unless provision is made for the protection, maintenance and restoration of the natural environment, we risk entering a negative feedback loop from which it will be difficult and costly to escape.

Do parliamentarians have what they need to scrutinise environmental spending?

3

Environmental expenditure is a means, not an end. As long as anyone can remember, ministers have used government spending as a proxy for how much is being done to fix a problem. But in the absence of good information, we have no way to adjudicate whether any given sum of money represents an adequate or defensible response, let alone make an assessment of how that spending is improving the state and trajectory of the environment.

The job of Members of Parliament, on behalf of the public at large, is to hold the Government to account. To do that job, they need to know about the range of long-term environmental issues (such as climate change or biodiversity loss) that the Government could prioritise, which of those issues the Government is actually spending money on and what effect that spending is having.

Parliamentarians need to be able to form a view about:

- the reasonableness of the Government's choice of environmental outcomes
- whether it is spending too little, roughly the right amount or more than it needs to achieve them
- whether whatever is being spent is being spent effectively.

They need to be able to see the broad relationship between environmental issues, environmental outcomes and government spending, as well as precise links between environmental outcomes, key environmental initiatives and the results of monitoring and evaluation.



What information do parliamentarians actually have?

Agency-level reporting provides only part of the picture

Currently, parliamentarians must make do with a public accountability system focused on outputs rather than outcomes,¹ seen through an agency-level lens rather than a whole of government lens.

While reporting at the level of agencies can certainly be improved, existing documentation provides parliamentarians with a reasonable sense of some of the environmental challenges that will be prioritised, the outcomes the agency is tasked with achieving, and the amount being spent on outputs.

What parliamentarians are often not provided with is a sense of the impact that individual agencies are having on environmental outcomes, or even a general sense of progress.

The big picture is hard to see

At the collective, whole of government level, there is a more pronounced lack of clarity and transparency.

There is no shortage of documents offering ambitious strategic goals. But there are so many of them, in so many different places, that the outcomes are crowded and confused.

Part of the problem is that environmental issues cut across the activities of a wide range of agencies. There is also no common environmental outcomes framework that unites even the eight agencies that constitute the wider natural resources sector.

Planning is fractured

Even when environmental outcomes are explicit, a clear account of how the Government intends to make progress against those outcomes is often lacking. Strategic policy and planning exercises are often only weakly connected across agencies and to the authorisation of new spending.

Spending is hard to account for

We know little about the magnitude of central government spending on the environment and how this spending is allocated across different environmental areas. The structure of appropriations makes it difficult to track spending through the public finance system.

As part of my research, my team used several methods to assemble and estimate total environmental expenditure. We also linked this spending to enduring environmental outcomes based on environmental reporting domains. You can see that estimate in Figure 1.

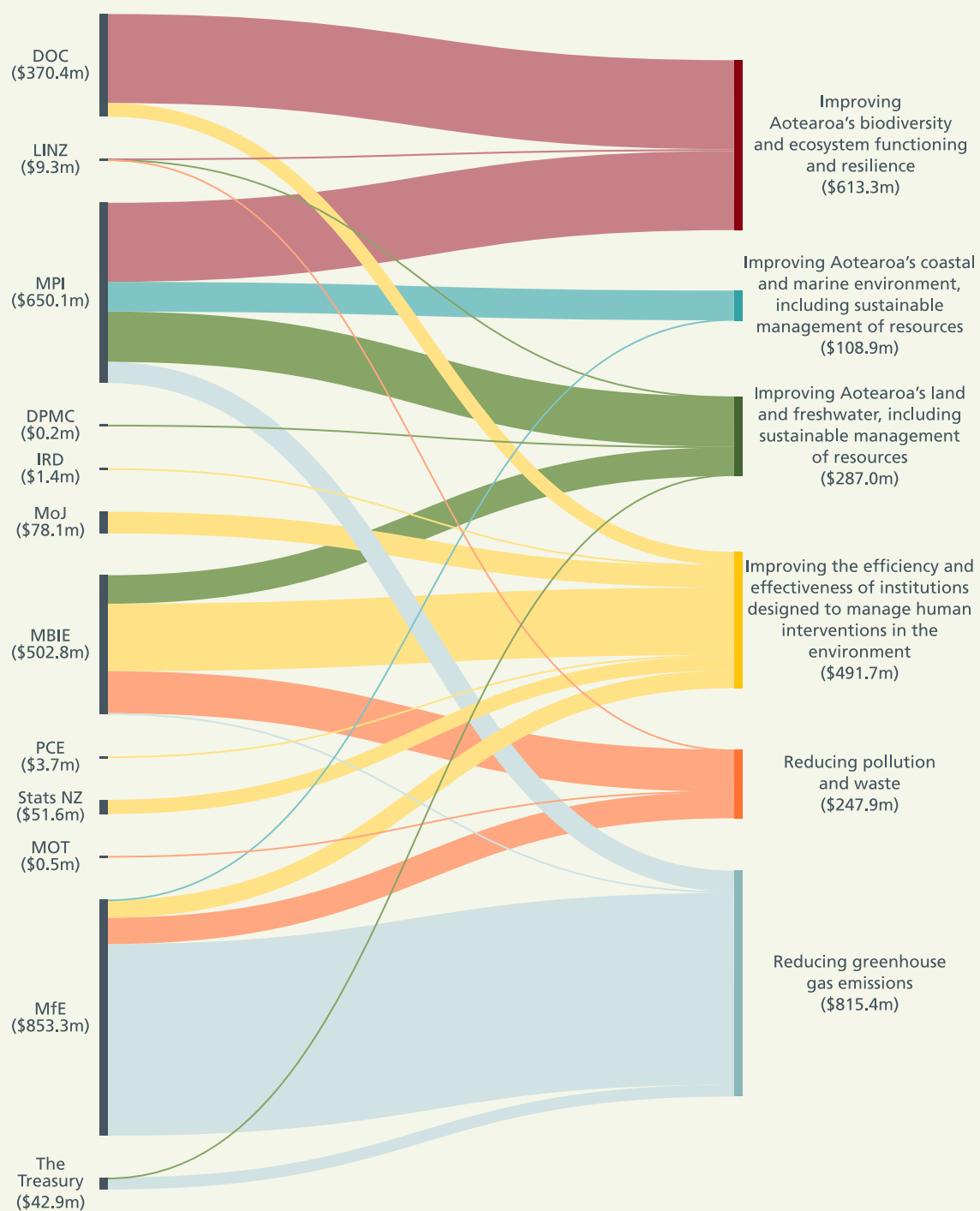
I found the task difficult and frustratingly imprecise. If it was hard for me, it will be even harder for parliamentarians and the public they represent to get a clear picture.

We know even less, at a whole of government level, about what this spending is doing for overall environmental outcomes. This is because agency-level reporting is not aggregated, performance reporting focuses on outputs rather than outcomes, and agencies report against environmental outcomes inconsistently.

Climate spending may be an exception

Climate change may be an emerging exception. Outcomes (emissions reductions) are clear across agencies, spending is increasingly mapped to outcomes, a single plan is formulated to reach these outcomes, and clear efforts are being made to evaluate the impacts of key initiatives on the environment. Somewhat embarrassingly, we are only able to do this because international treaties have required us to report information in a consistent way for many years.

¹ Outputs are the goods and services that the Government funds agencies to deliver. These could be as different as policy advice to ministers or grants to hapū. Outcomes are the desired state, condition or change in the environment, for example improved mauri, water quality or a halt in biodiversity decline.



Note: DOC = Department of Conservation; DPMC = Department of the Prime Minister and Cabinet; IRD = Inland Revenue; LINZ = Land Information New Zealand; MBIE = Ministry of Business, Innovation and Employment; MfE = Ministry for the Environment; MoJ = Ministry of Justice; MOT = Ministry of Transport; MPI = Ministry for Primary Industries; PCE = Parliamentary Commissioner for the Environment.

Figure 1: Environmental expenditure by government agencies attributed to enduring environmental outcomes. The left side of the figure provides a sense of total environmental spending; the right side provides a sense of where that spending is focused. Flows capture the contributions of individual agencies.



Addressing the shortcomings

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The recommendations in this report are designed to ensure that the actions of the government are focused on the most important environmental outcomes, that the effectiveness of those actions can be assessed, and that members of parliament and citizens can hold governments to account for decisions made and decisions postponed.

This is not about reinventing the wheel. Quite a lot of the raw material already exists. It is just poorly collated or labelled. And where it does not exist, there are systems that can be used to provide it.

The foundation of accountability is better information. In addition to my previous recommendations on environmental monitoring and research, I recommend that **the Government should give the Environmental Protection Authority a specific mandate to provide oversight and leadership of environmental monitoring** to support and supplement the work done by regional councils, CRIs and other organisations.

I am also making three recommendations specifically aimed at improving the clarity and accountability of decision making. What this could look like in practice can be seen in the table on page 9.

The Government should clearly state its environmental outcomes and how it will achieve them.

There need to be two sorts of environmental outcomes expressed over two different horizons.

- Enduring, overarching outcomes. These run across successive governments and multiple generations (say 10-50 years). These are not the stuff of party politics.
- Specific, shorter-term priority outcomes (say 3-10 years) identified by the Government of the day.

The Government should state its specific outcomes and what it intends to do to achieve them in a way that enables ministers, parliamentarians and members of the public to compare what the Government has said it would do with what it actually does. This statement of outcomes should be the primary location where the Government's environment-focused strategic planning is collated and made available to the public.

Agencies should tag expenditure that relates to the Government's environmental outcomes and report on the contribution they have made to those outcomes.

In its annual report, each agency should specifically detail:

- all the environmental outcomes that it is contributing to
- the expenditure it has allocated to those outcomes
- how key initiatives and actions are contributing to those outcomes.

To understand the impact that key initiatives and actions are having, agencies should complete formal ex-post evaluations and make them publicly available. Other processes – such as environmental monitoring and spending reviews – may also produce valuable insights.

The Government should provide a whole of government report to the House on the expenditure it allocates to its environmental outcomes and the progress that is being made towards those outcomes for Parliament to examine.

While annual reports might be a good way for Parliament to assess an agency's contribution to an outcome, they are not a good way to assess progress towards an environmental outcome to which multiple agencies contribute. Doing that requires information aggregated by outcome rather than by appropriation or agency.

What I have in mind is something akin to the requirement to report progress in alleviating child poverty every year. It would be a simple statement of progress towards each outcome, to be scrutinised in tandem with information about the expenditure allocated to those outcomes. It should happen at least every three years.

Having a reporting requirement in the Public Finance Act 1989 explicitly linked to the Environmental Reporting Act 2015 would strengthen links between environmental reporting, strategic planning and investment.

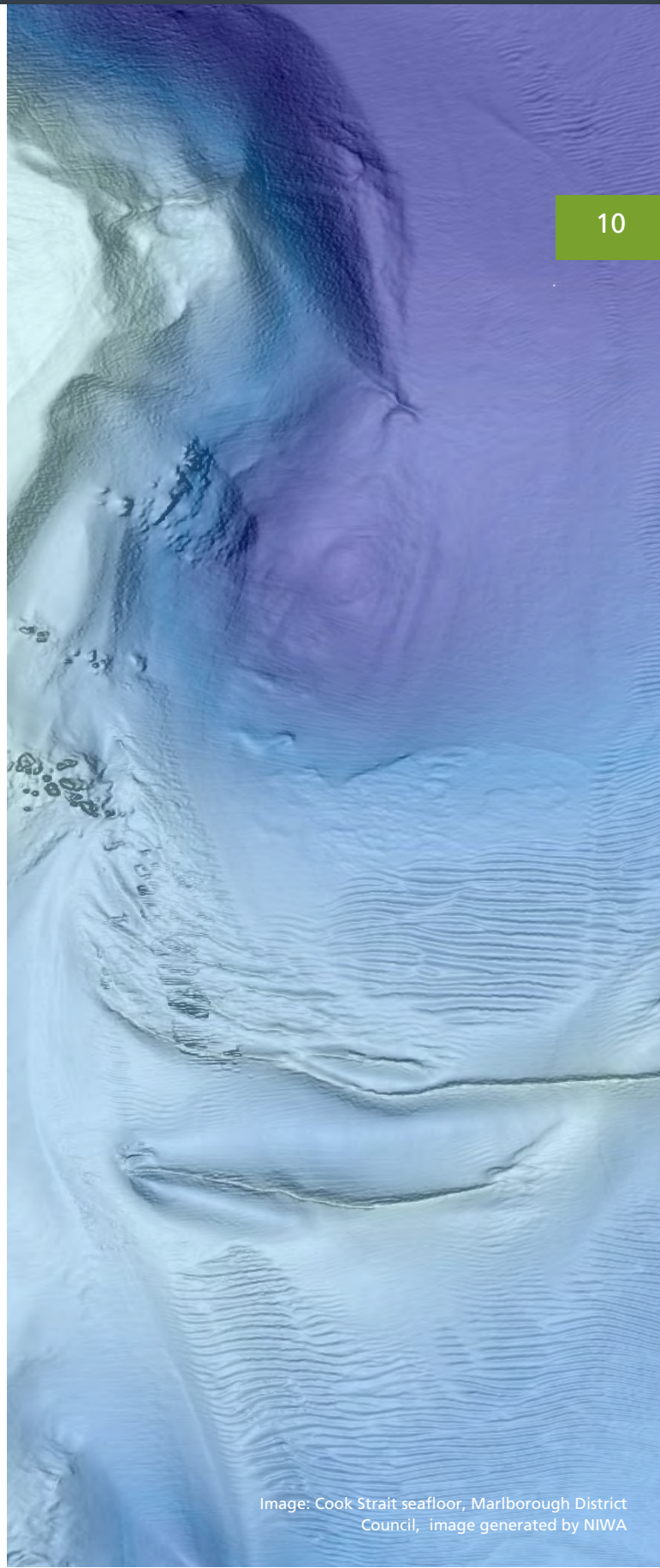


What is needed	Example
A clear statement of the state and trajectory of long-term environmental issues.	Our native plants, animals and ecosystems are under threat, as demonstrated by the state of the environment reporting.
A clear statement of the environmental outcomes that will endure across successive parliaments.	Improving Aotearoa's biodiversity and ecosystem functioning and resilience.
A clear statement of the environmental outcomes the Government of the moment is specifically prioritising.	By 2030, populations of all native species threatened with extinction have stabilised or are improving.
A clear statement of how the Government intends to achieve those outcomes.	The Government presents a clear and coherent plan. This plan details what actions relevant agencies (e.g. the Department of Conservation, Ministry for Primary Industries, Ministry for the Environment, Land Information New Zealand) will undertake, where they will actively collaborate and how they will work with local government, landowners and relevant community groups and trusts. Clear roles are assigned to achieve the outcome.
A whole of government account of environmentally related spending that can be mapped to those outcomes.	Central government agencies (e.g. the Department of Conservation, Ministry for Primary Industries, Ministry for the Environment, Land Information New Zealand) have tagged annual expenditure of \$X, supplemented by expenditure of \$Y from local government.
A whole of government account of the key initiatives that contribute to those outcomes.	The Government presents a clear and coherent account of rules and initiatives. This account details key initiatives and draws on existing documents, including (but not limited to): the National Policy Statement for Freshwater Management; National Policy Statement for Indigenous Biodiversity (once enacted); Te Mana o te Taiao; internal Department of Conservation policies and plans; regional and district plans and strategies; and any other relevant initiatives not covered above.
Environmental monitoring that tracks progress against those outcomes via specified measures.	Ongoing regular monitoring of threatened native species in response to management actions is undertaken through time to construct time series. Data are analysed to determine whether populations of threatened species are stabilising or increasing.
Evaluation of the impact of those key initiatives on those outcomes.	Results from monitoring outcomes are analysed to determine the impact of key initiatives on preventing native species extinction and facilitating population increases. Where this is not possible, quantitative and qualitative assessments are made, drawing on any relevant monitoring.
Whole of government performance reporting that links key initiatives to those outcomes.	Monitoring, evaluation and agency-level performance reporting related to threatened species is fed into whole of government performance reporting.
Consistency in reporting.	Monitoring, data collection and reporting use shared methods and standards. This includes a harmonised set of performance metrics.

What difference will my recommendations make for select committees?

Select committees already play a role in scrutinising environmental outcomes and the effectiveness of environmental spending at an agency level. They do so without an adequate or accessible information base and without a whole of government lens. My recommendations would provide that and would also make it easy for relevant select committees to:

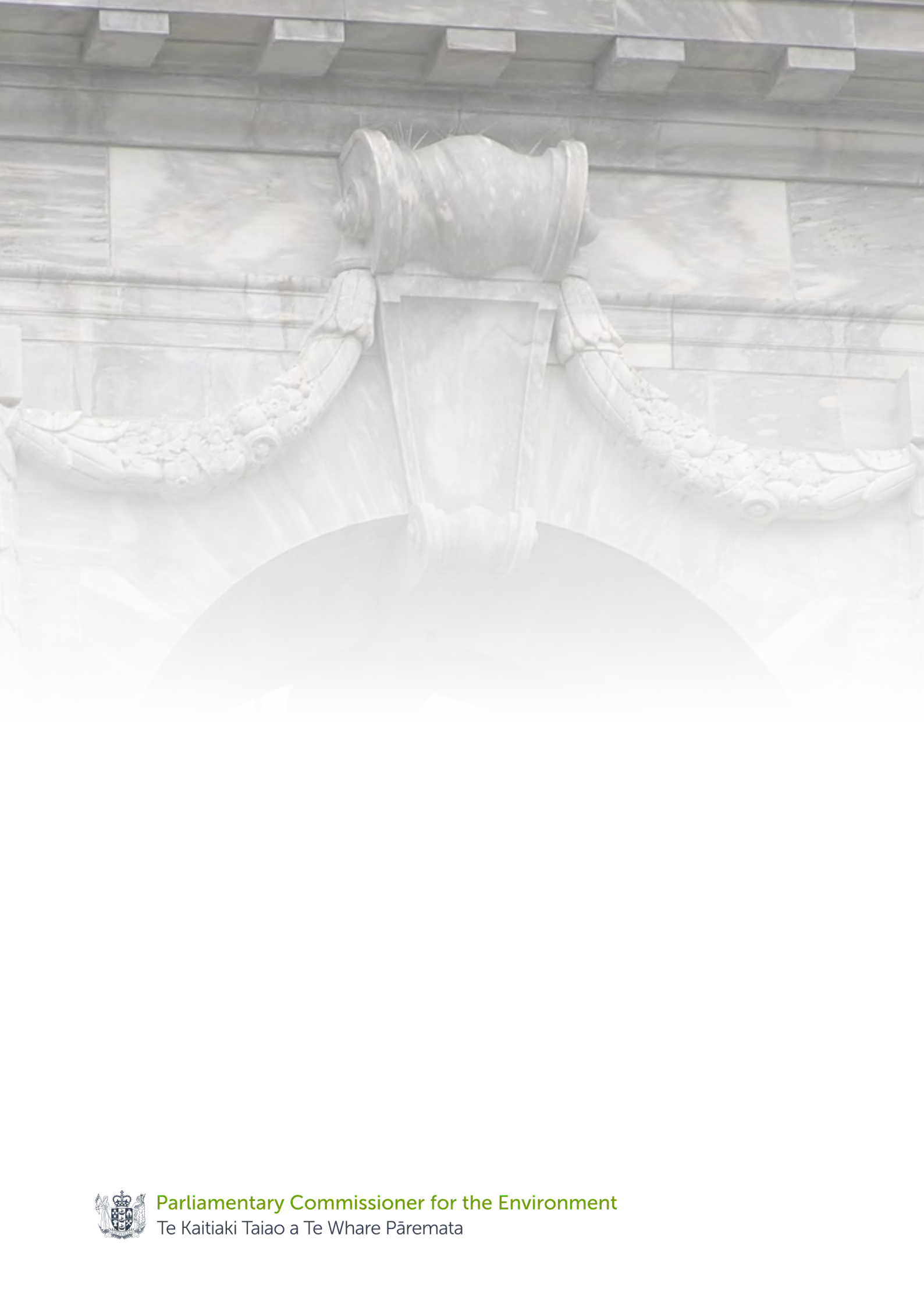
- examine the reasonableness of the Government's specific environmental outcomes
- assess the effectiveness of expenditure in making progress against those outcomes
- compare the Government's stated plan to achieve those outcomes with what it has actually implemented
- assess whether the initiatives and actions the Government is undertaking are sufficient to meet those outcomes
- assess the effectiveness of cooperation between agencies that have lead responsibility for an outcome and the agencies with which they have to interact to deliver those outcomes.



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