Submission Environmental Reporting Bill 2014

Closing Comments

'Complexity is the enemy of transparency'

- Hank Paulson, Secretary of the Treasury, USA, during the Global Financial Crisis

The Bill as it stands reminds me that we need to keep policy instruments simple in order for them to be effective, equitable, durable and useful. Much in the same way that financial markets require quality information to perform effectively, so do environmental markets. We need to ensure that citizens are well-informed so that they are able to engage either directly (through scientific/social research or lobbying) or indirectly (through voting at national and local elections) on how ecosystem assets are best used and protected. If a range of alternative forms of engagement are not available, social unrest may prevail.

'Success' is therefore a durable platform whereupon citizens can engage over issues that are relevant, timely and appropriate to a location or a time period. 'Failure' in contrast, is when citizens are not well informed, and therefore spend time, energy and financial resources in ways that are not relevant, timely or appropriate. New Zealand experienced a number of risk management failures which have led to a range of adverse outcomes. We should ask ourselves what can be learnt from these examples, viewing them as insights into complex issues. Examples include:

- Rabbit haemorrhagic disease: In 1996 a group from around the country (that included 10 regional councils) lodged an application for the release of RHD (Rabbit haemorrhagic disease) in New Zealand to address difficult to manage rabbit populations. This was declined as it was found the risks outweighed the benefits. Frustrated farmers then released the disease illegally, which has not only spread throughout the country but many rabbits have now developed immunity to the disease.
- Dairy farm practices: The previous dairy accord was arguably unsuccessful. There is now a
 new accord which aims to set national environmental benchmarks for dairy farming covering
 stock exclusion from waterways and riparian, effluent, nutrient and water use management. It
 also sets out new industry standards for conversions of land to dairying. The extent this new
 accord will be trusted by the public is yet to be tested.
- Genetic modification: Some Multiple Sclerosis sufferers were led to believe the GM cows created by AgResearch might cure MS and were therefore prepared to camp in the paddock to save the cows. (See our report an Overview of Genetic Modification in New Zealand 1973-2013: The first forty years, page 70.)
- Air quality: It is estimated that poor air quality contributes to the deaths of approximately 1000 New Zealanders every year this makes air quality one of our most serious environmental public health issues, yet it is rarely in the public arena. Arguably we fail to develop solutions and penalise bad practise because the public tend to think air quality is not an important issue. In our view, companies adopting poor air quality practices should be

required to report all prosecutions in their annual report and schools should be required to report to parents on the quality of air in their children's vicinity.

• Protecting native forests: In 1978 activists staged a tree sitting protest in the forest which led to the protection from logging of what is now the Pureora Forest Park.

These very wide-ranging examples show why countries should invest in building effective policy platforms that are focused on developing an informed public. Countries that have an informed public are more likely to be able to put in place durable policy, providing certainty for all parties and therefore better outcomes for all citizens. If we fail to have an informed public, we will fail to deliver durable public policy. This leads me to one of my key concerns about the purpose of this Bill. The focus on outputs appears to be on the three year parliamentary system rather than the ongoing needs of citizens.

The *synthesis* report is arguably planned on a three yearly cycle to align with the start of the parliamentary cycle. If the primary responsibility of the public sector is to serve the public, reporting every two years must be more beneficial than a three year report. Further regular reporting is likely to flatten the effect of the three year cycle, delivering more useful and less political information to MPs, councillors, public servants and the general public in a consistent and timely manner.

I consider an important aspect of this Bill is providing clarity over what we should and should not worry about. We should ensure that New Zealanders are informed in order that they can evaluate the most important issues and the issues they have control over. Furthermore, the 'low hanging fruit' should be dealt with quickly (those issues that are easy and cheap to fix). Regular *synthesis* reports should reflect New Zealand's progress towards goals, or showcase areas that require extra work. A three year window is a year too long; if we are destroying ecosystems or implementing effective models in some part of the country (but not others), three year reports are simply slowing up progress. Like any other public policy instrument, it is necessary to balance the benefits, costs and risks. In this case, the costs of resourcing MfE and Statistics NZ to produce more timely and integrated reports seems to be an opportunity to accelerate progress. Based on this mind-set, we have briefly outlined five recommendations below:

Recommendations

1. Linking government environmental priorities with the *domains* [new]

Attachment 1 identifies the relevant government priorities from 2007 to 2013. Of note is how the priorities have moved from topics to processes, how climate change is no longer a priority and how the number of priorities have reduced in number (from six to three). Government priorities need to relate to *domains* (ecosystem assets) rather than processes so that environmental outcomes can be measured, assessed and revamped based on evidence (i.e. evidence-based public policy). By linking goals with reporting, government is more likely to deliver better policy outcomes over the long term.

2. Linking National Policy Statements and National Environmental Standards with the *domains* [new]

Attachment 2 identifies the *National Policy Statements* and *National Environmental Standards* produced since the RMA was implemented in 1991. These public policy instruments have generally remained out on a limb, unconnected to the rest of the environmental reporting system. This is reflected in their individual lack of clarity of purpose, inconsistency of content,

minimal reporting requirements and their failure to outline opportunities to review and revamp the documents based new data and information. We believe this Bill provides a significant opportunity to reconnect these instruments to the *domains*. Regular *domain* reports could provide useful information on the application of these standards and statements, creating an information system that compares 'good practice' with 'actual practice'.

3. Combine air, atmosphere and climate under one *domain* [expanded]

As an NZICA Fellow Chartered Accountant and past chair of the Sustainable Development Reporting Committee, I have always been interested in conceptual frameworks. I see the *domain* as equivalent to a high-level ecosystem-asset that forms a balance sheet item, whereas effects over time forms a profit and loss item. This means I disagree with climate (and therefore climate change) being treated as a *domain*. This proposal in no way minimises the importance of climate change, quite the contrary. Treating climate change as a flow (effect over time) rather than as an asset is more likely to lead to a deeper and more tangible conversation about climate change and how it might be better managed in the future.

Attachment 3 illustrates how we believe the *domains* should exist in practice, reflecting the four significant 'ecosystem-assets' we proposed in our written submission. Of particular note was that the 'air' and the 'atmosphere and climate' domains should be combined as there is an inherent duplication of data. The following paragraph expands on this point.

Increases in atmospheric concentrations of carbon dioxide is the leading cause of anthropogenic climate change and is therefore fundamental to a report on the *air domain*. Changes in the concentration of atmospheric carbon over time, generally measured in parts per million, is used by the *Intergovernmental Panel on Climate Change (IPCC)* as the key indicator of human influence on climatic systems. Other greenhouse gases, such as methane and nitrous oxide, are measured in the same way. For this reason our proposed *air domain* would include assessments of greenhouse emissions along with measures of less prevalent or more localised pollutants such as lead, BaP, benzene etc.

4. Create a *synthesis report* specifically for climate change [new]

If the committee felt that climate change required more attention, this could be achieved by providing an additional *synthesis report* focussed purely on climate change. In contrast to having two domains that cover air data (the 'air domain' and the 'atmosphere and climate domain'), this recommendation reflects the opportunity to bring climate change further up the public policy ladder.

As noted above, an integrated approach is required to manage climate change effectively and this means accepting that it interconnects across all *domains*. In effect it would make more sense for climate change to have its own *synthesis report* rather than be a *domain report*. Climate change is obviously a global issue that gives rise to policy considerations of international collective action – and so the response commentary is quite different to issues such as air quality that are spatially specific to particular communities.

5. Producing a *synthesis report every* two years – perfection comes with a price

The pursuit of perfection is an exercise in diminishing returns; policy analysts may want to get reports perfect but users may simply want a report that provides timely, good quality information. In other words users may be prepared to give up accuracy for timeliness, knowing that the level of accuracy will be improved in the next report.

Reporting bi-annually is likely to improve the quality of reports for users over time, more than reporting tri-annually. Accurate information places the focus on the reporter (they do not want to be criticised if reports contain errors or are incomplete) while timely information focuses on the needs of the user (some information is better than no information). Reporting is an ongoing task; the more frequent the report, the more regular the feedback from the user – leading to a higher likelihood of the user receiving meaningful and accurate reports in the longer term.

The costs of producing *domain* and *synthesis* reports have not been made public, but I suspect that the Institute's proposal (excluding the separate *synthesis report* on climate change in 4. above) would not be significantly more expensive as it would only result in an additional two reports over a ten year period.

- The current Bill proposes in ten years: 20 *domain* reports (five *domains* x four) and three and 1/3 *synthesis reports* (every three years) = 23 reports
- The McGuinness Institute proposal proposes: 20 *domain* reports (four *domains* x five) and five *synthesis reports* (every two years)= 25 reports

Further, if as we recommended in our initial submission, *Statistics NZ* was only responsible for publishing *domain* reports and MfE *synthesis* reports, we believe there might be additional cost savings.

Overall, we believe our proposal (above) would deliver MPs, councillors, public servants and the general public consistent and timely reports of a superior quality at the end of a ten year period. This is not only because of the frequency of feedback but because the respective institutions would have more practice at delivering quality reports. In particular, their systems of collecting and reporting data would improve over time. These factors combined with the benefits gained from acting twelve months earlier as a result of receiving *synthesis* reports a year earlier, must deliver more 'benefits' than 'costs', and bring about less 'risks' to the New Zealand economy.

Lastly, if Hank Paulson is correct – complexity is the enemy of transparency – then logical, timely and elegant reporting frameworks must be the friend of the New Zealand citizen.

Attachments:

Attachment 1: Relevant Government Priorities set for the Ministry for the Environment Attachment 2: National Policy Statements (NPS) and National Environmental Standards (NES) Attachment 3: Excerpt from the McGuinness Institute Submission on the Environmental Reporting Bill 2014