

Report to Council

Date: 11 June 2020

Author: Blair Dickie, Principal Strategic Advisor

Authoriser: Karen Bennett, Manager, Office of the Chief Executive
Vaughan Payne, Chief Executive

Subject: **Climate change and decision-making**

Purpose

1. To initiate a process to future-proof Waikato Regional Council programmes, actions and activities by incorporating climate change considerations into Waikato Regional Council decision-making.

Executive Summary

2. This paper proposes a consistent and transparent process for incorporating regional climate change impacts and implications into Waikato Regional Council's work programmes and decisions. To ensure consistency, practice notes are to be developed covering both the preparation of policy advice and operational decisions, and climate change impact statements included in council committee reports where appropriate.
3. A series of diagrams outline at a high level how climate change matters can be incorporated into the ways council services are provided and access to natural resources and space are regulated.

Staff Recommendation:

1. That the report 'Climate change and decision making' (Council, June 2020) be received for information; and
2. That the council decision-making on matters not already provided for in the Long Term Plan 2018-2028 includes an assessment of climate change implications using the agreed processes, and based on available resources, effective from 1 July 2020.
3. That staff develop guidance material to ensure business cases for the Long-Term Plan include:
 - risks and opportunities for adaptation, and
 - opportunities to reduce impact on the climate system through greenhouse gas reduction and sequestration actions.

Background

4. Waikato Regional Council elected representatives and delegated officers routinely make decisions that affect the region's environment, economy and communities. The outcomes of these decisions may be affected by the changing climate or may prevent opportunities to mitigate or adapt to climate change:
 - Mitigation actions address the root causes of climate change by reducing greenhouse gases in the atmosphere.
 - Adaptation activities seek to lower the risks posed by the consequences of the changing climate.
5. To make informed decisions within its overarching sustainable development mandate (the 'four wellbeings' of the Local Government Act 2002), the Council needs timely and evidence-based information about the possible consequences of climate change, people's understanding of those consequences, adaptation options for increasing community resilience to changes that are happening, and opportunities for slowing the rate of climate change through greenhouse gas reduction and sequestration activities.

6. While many council business units already consider the impacts of a changing climate in their decisions, a decision-making framework, using current best practice and learning, is required to ensure a transparent and consistent approach. This will increase Waikato Regional Council's relevance to businesses and communities and partners now and into the future.

Issue

7. This matter has been considered by the Climate Action Committee with the recommendation that after incorporation of feedback, the final report is considered by the council. It was intended that this be at the April 2020 Council meeting, however, this timing was compromised by recent COVID-19 matters. It is now timely for this report to be considered by council in revised form for decisions to take effect from 01 July 2020 and for climate change implications to be included into business cases for programme / budget development into the 2021 – 2031 Long-Term Plan. Such assessments will be based on available resources, noting that the 20/21 budget was reduced to minimise the financial impacts on ratepayers due to the COVID-19 crisis.

WRC activities and the proposed decision-making processes

Investment fund

9. The Taskforce on Climate-related Financial Disclosures was established in December 2015 by the Financial Stability Board¹ to develop consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders. The Taskforce recommendations are being increasingly used by companies to transparently identify impacts of climate related risks and opportunities, including those related to transitioning to a lower carbon economy.
10. In October 2019 the Ministry for the Environment and the Ministry of Business, Innovation & Employment released a discussion document² - *Climate-related financial disclosures – Understanding your business risks and opportunities related to climate change* - that localised the UN Finance Initiative before introducing legislation to make climate risk transparent for investors.
11. The Waikato Regional Council's investment portfolio is already guided by rules to ensure sustainable investments and having explicit regard for the impact and implications of climate change is not expected to be an onerous addition while at the same time reducing risk and adding security to investment decisions.
12. In addition to its general policy linking fiduciary responsibilities with a responsibility to focus on the long-term, the Waikato Regional Council has resolved (council resolution July 2018) to invest 50% of its global equity exposure in a sustainability strategy and will assess the success of this step over time with a view to additional steps as appropriate.
13. The following process for investment is proposed by council's fund manager Mercer.

¹ Established in 2009 by the G20 nations has the key role of promoting reform of international financial regulation and supervision <https://www.fsb.org/history-of-the-fsb/>

² <https://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/Climate-related-financial-disclosures-discussion-document.pdf>

Investment decisions

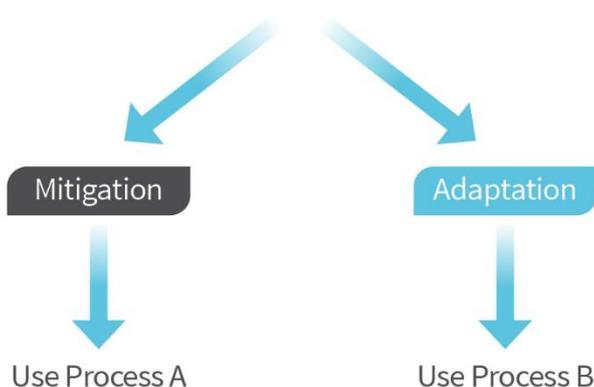
Are investments climate proofed? e.g. using criteria developed by the UNEP Finance Initiative Task Force for Climate-related Financial Disclosures



Infrastructure

14. The council invests community funds in physical assets such as buildings, vehicles, and significant infrastructure used to provide services for the community. These typically include stop banks, canals and pumps to enable an economic use of land that would otherwise not occur (in the case of land drainage schemes) or reduce the risk of inundation on floodplains, also allowing an economic use of land that may not otherwise be viable.
15. The LGA recognises the financial liability of infrastructure ownership and operation and since 2014, section 101B has required local authorities to prepare and adopt an infrastructure strategy for at least 30 consecutive years. The Waikato Regional Council has chosen a 50-year time horizon for its strategy. Future climate conditions are already implicit in part 4 of this document which requires that the strategy outline the most likely scenario for the management of local authorities’ assets over the life of the strategy.
16. The Infrastructure Strategy is not only required to consider the future competence of the asset itself but also the future demand for the service it facilitates (section 101B (3)(b)). This is a critical consideration when the infrastructure allows a land use to occur that itself is affected by climate change. This element is being addressed as part of the Waikato Regional Council Sustainable Infrastructure Project³.
17. Decisions authorising ownership and operation of infrastructure needed to support community services and other corporate activities are made under the LGA, specifically sections 77, 78 and 79 covering both mitigation and adaptation elements. Two complementary processes are proposed. Process A covering mitigation actions and Process B for adaptation.

Investment in assets and infrastructure to support services



³ Sustainable Infrastructure Project management plan January 2020
<https://discover.wairc.govt.nz/otcs/llisapi.dll?func=ll&objaction=overview&objid=15690581>

18. The staged nature of the two decision-making processes has been designed to ensure that not only do activities reflect the risk of climate change implications but the level of analysis is commensurate with significance of the decision required. That is to prevent unwarranted over analysis. Indeed, legislation guiding local government decision-making is designed to prevent such occurrence and the proposed processes to include climate change considerations are linked to that. For example:

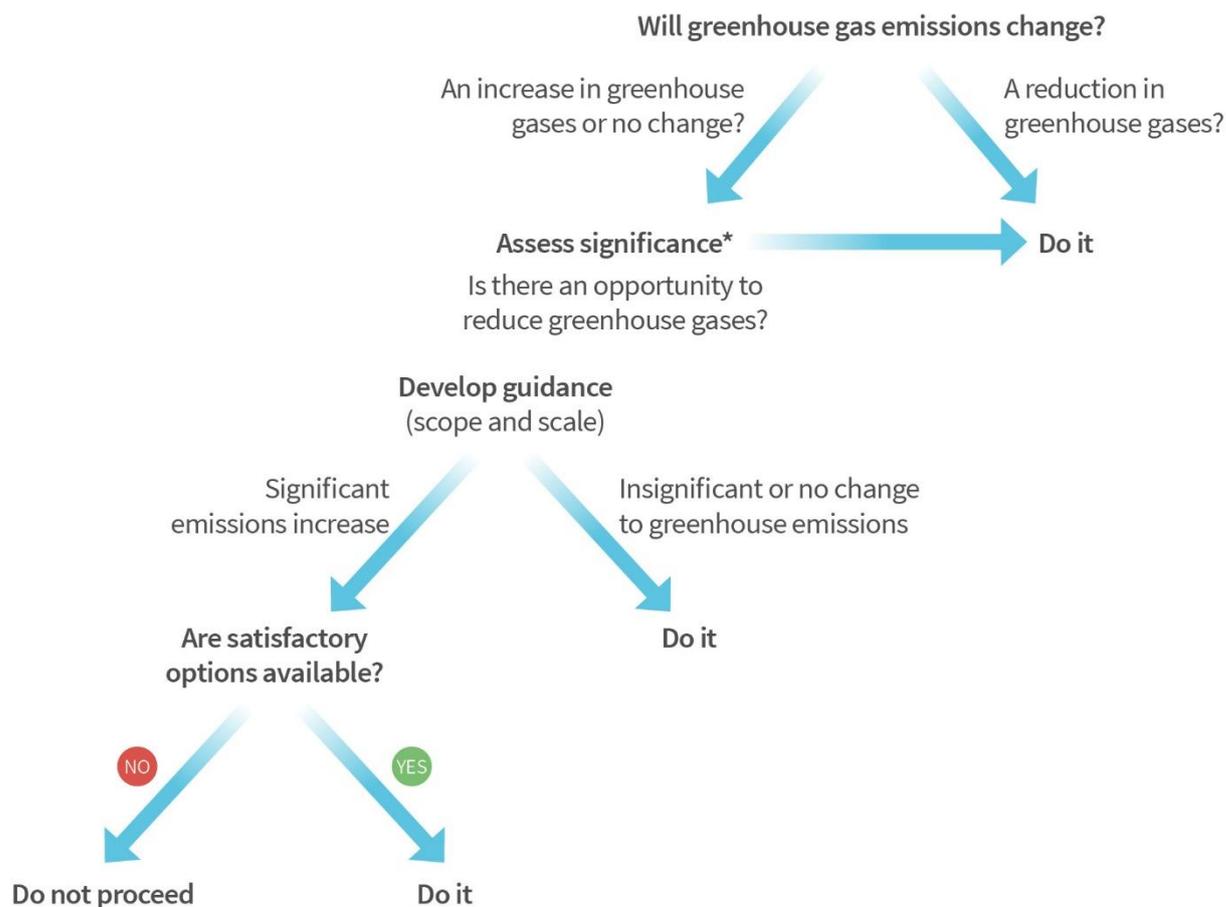
- s32(1)(c) of the RMA (*An evaluation report required under this Act must contain a level of detail that corresponds to the scale and significance of the environmental, economic, social, and cultural effects that are anticipated from the implementation of the proposal*);
- s79 of the LGA (*It is the responsibility of a local authority to make, in its discretion, judgments—about how to achieve compliance with sections 77 and 78 that is largely in proportion to the significance of the matters affected by the decision as determined in accordance with the policy under section 76AA...*)

19. The proposed processes (A and B) rely on several steps where guidance is needed (potentially in the form of checklists) to allow consistent evaluation of project proposals and activities. These are in the latter stages of development and will benefit from wider consideration particularly from the council's own subject matter experts including Business Improvement and Project Management Office teams.

Mitigation – Process A

20. Mitigation is currently limited to Council decisions made under sections 77, 78 and 79 of the Local Government Act and specifically relates to community relevance (the national journey to decarbonise the economy by 2050) and prudent management of community funds. Currently section 70A (RMA) expressly prevents regional councils from having regard to the effects of discharges of greenhouse gases on climate change as these are covered by a nation-wide financial instrument under the Emissions Trading Scheme. This is expected to change in the latest round of RMA reforms following Select Committee recommendations to repeal this section.

**PROCESS A: MITIGATION
Community and Corporate Services**



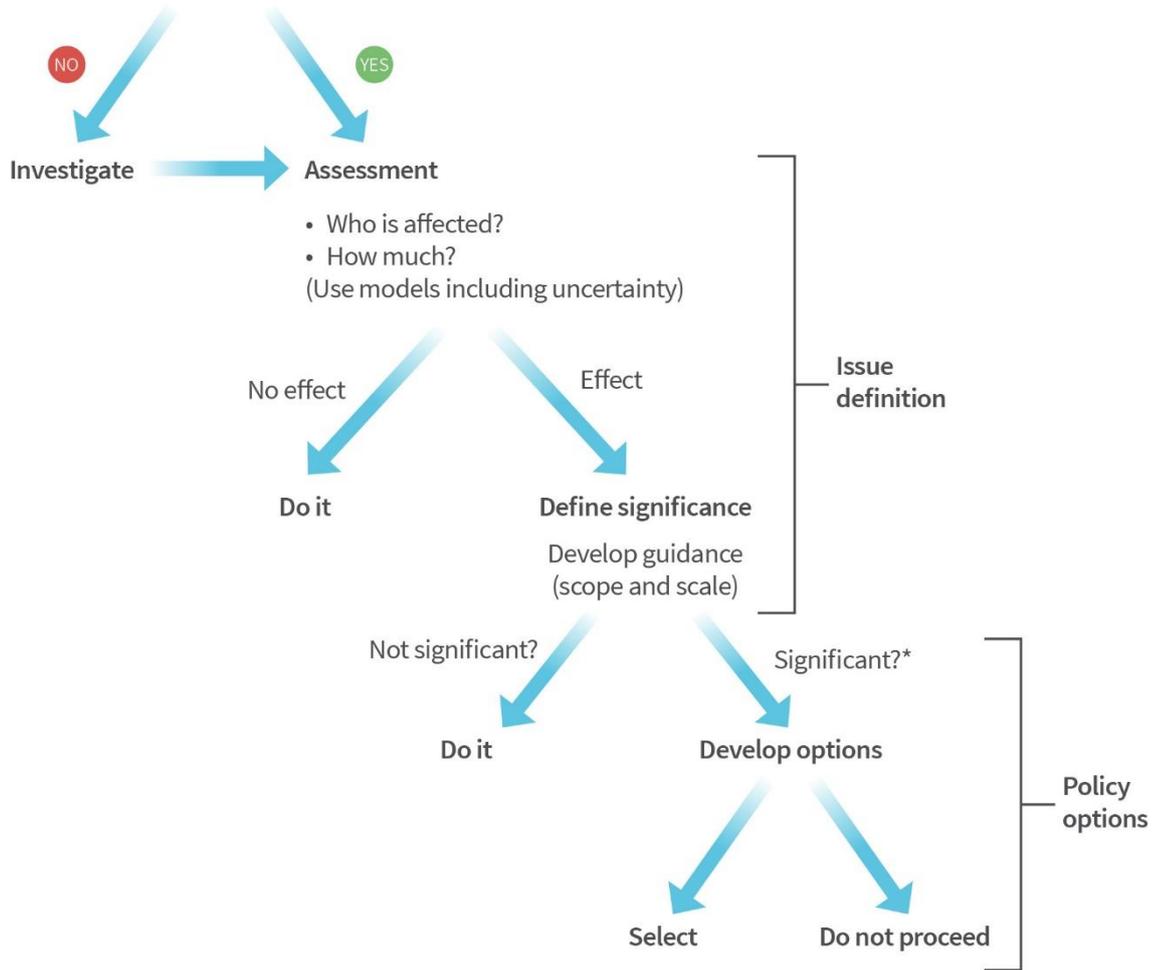
*Assume significance in the absence of knowledge, not the other way around (precautionary approach)

Adaptation – process B

21. Council activities are not limited to those that create greenhouse gas emissions either directly or indirectly. Some activities may be directly affected by a changing climate and may be at risk. For instance, infrastructure may be directly at risk of being overwhelmed by climate events beyond their design level. Infrastructure may also directly support existing economic land uses that are themselves challenged by a changing climate, bringing the continuation of current service levels into question. This is addressed as process B, below. Process B covers decisions made under the Local Government Act (sections 77,78 and 79) for the provision of community services such as land drainage services or flood risk reduction services.
22. Process B also applies to decisions made under the Resource Management Act, which requires regional councils to consider the effects of climate change when exercising powers and functions, for access to natural resources and to space in the Coastal Marine Area and those terrestrial areas subject to natural hazards, or where water quality and quantity and soil conservation are management considerations. It specifically applies under section 32 of that Act for the development of plans and policies.

PROCESS B: ADAPTATION
Community and Corporate Services and Access to natural and physical resources and space

Do you understand climate change projections (Adaptation) in locality for duration of project?



*Assume significance in the absence of knowledge, not the other way around (precautionary approach)

Next Steps

23. The proposed processes are ones of policy principle, described at a high level and will require further work to develop guidance and for training of staff to ensure consistent interpretation. This will give elected representatives confidence that policy advice from officers has included relevant climate change considerations and that operational decisions have also addressed climate change matters.
24. Waikato Regional Council business units will be supported to develop activity-relevant practice notes incorporating climate change implications as they undertake detailed planning for activities and investments as part of the 2021–2031 Long-Term Plan process.
25. The inclusion of a standard paragraph in committee / council report templates confirming consideration of climate change implications has occurred will ensure transparency.

Assessment of Significance

26. Having regard to the decision-making provisions in the LGA 2002 and council’s Significance Policy, a decision in accordance with the recommendations is considered to have a high degree of significance.

The reason is because this will determine elements of the council's decision-making policy affecting budgets, programmes and regional activities for the foreseeable future.

Conclusion

27. In summary, council reports will include a brief explanation of how climate change has been considered, both in relation to reducing the region's greenhouse gas emissions and on increasing resilience to climate impacts and if significant issues are identified, a paragraph showing how these have been or will be addressed.