

Next Steps for Fresh Water 2016

Morgan Foundation Submission

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Summary

1. The Government must implement all recommendations of the Land and Water Forum, otherwise this attempt at collaboration will be seen as a sham and ultimately abandoned.
2. We welcome the move to greater national coordination.
3. The biggest issue in the document is the lack of progress on water ownership and pricing. This is disappointing – while allow trading is a good idea, we need to recognise that the rights to use water are owned (via consents) and any trading should be implemented in tandem with a resource rental on the owners of water use consents.
4. The bottom line should still contain an aspiration of swimmability unless communities transparently decide otherwise – even the current bottom lines have exceptions.
5. It is good that each catchment will have to be maintained or improved, but the bands used are too broad and could allow for considerable slippage in some catchments while still claiming they are being “maintained”. On a related note, Good Management Practice will only apply for catchments at or near full allocation – but if we implement the intent of maintain or improve all catchments are fully allocated.
6. We welcome the inclusion of the Macroinvertebrate Community Index.
7. We welcome the progress on stock exclusion but the timeframes are too long and more urgent action is needed.
8. We support the use of cost recovery from consent holders but believe this should be broadened to include a resource rental to pay for fresh water clean ups.
9. We support the inclusion of iwi in consultation and note that iwi values are very close to those of the New Zealand public on swimmability and food gathering. Iwi rights over water also need to be resolved as part of the general issue of water ownership.
10. Funding for freshwater improvement should not be used to subsidise irrigation, at least until the externalities of intensive farming and water extraction have been dealt with by appropriate pricing.

Land and Water Forum

The Next Steps Proposals represent further progress towards a comprehensive freshwater management policy. As with the National Policy Statement for Freshwater Management and the National Objectives Framework 2014, the proposals draw on recommendations from the Land and Water Forum (LAWF).

The Forum has done a valuable job in developing a consensus between key stakeholders on many important areas of freshwater policy. Unfortunately, the government has cherry-picked LAWF's recommendations. And that risks undermining the integrity of the collaborative approach that is central to the work of the Forum and the power of its recommendations. There will be Forum participants who are justifiably aggrieved that their preferred and hard won recommendations are ignored while other recommendations they weren't so happy with are implemented. It is time for the Government to review all of the Forum's recommendations and either adopt them or explain clearly why they have not been picked up.

National Coordination

The Next Steps Proposals indicate that the Government will take on a greater role in setting guidelines, regulations and providing technical advice. We support a more nation-wide approach – we are a small economy with limited financial resources and scientific expertise. However, we acknowledge the importance of regional variation in climate, soils, farming, etc, and thus the value of regional approaches in some circumstances to finding the most appropriate solutions.

Pricing water

There are, in our view, two important shortcomings in the Next Steps proposals: no real resolution of water ownership, and a lack of commitment to addressing water pricing. We note the Government is still working on proposals in these areas.

It is difficult to reconcile the Government's claim that nobody owns water with the proposal to allow farmers and others the right to transfer or trade their water allocations.

Until the questions of water ownership and pricing are properly resolved it will be difficult to achieve efficient and effective management of our freshwater resources. It is glaringly obvious that water is valuable – why else would farmers, assisted by the government, be investing so much in irrigation schemes and equipment? Water creates wealth. There has already been a substantial transfer of wealth from the environment (a public asset) to individual farmers and other business owners. Water bottling companies are making a profit from water they get for free – a no-brainer business, which highlights the absurdity of not having clearer ownership and pricing regimes around this unique resource.

New Zealand needs to move to some form of water pricing to achieve the best use of this valuable and finite resource. In the absence of the allocative efficiency of a water pricing system we rely on a political and/or regulatory driven system of allocating water based on a crude first-come first-served system.

The Government needs to set a clear timetable for developing and implementing a water pricing system so that farmers and others can make sensible investment decisions. Water ownership, pricing, allocation and trading are related challenges – the government needs to get that message across and also that the solution may take several policy iterations. Water is an unusual resource and is likely to require an unconventional approach to pricing it.

Bottom Lines - Swimmability

As we have submitted in the past, we disagree with the bottom lines as currently espoused. We would prefer to see a goal of swimmability in the long term unless communities explicitly argue for an exemption. The Minister's argument that the cost of swimmability everywhere 365 days would be

prohibitive is a red herring – even under the current bottom line of wadeability there are exemptions.

Rewording of Objective A2: “maintain or improve overall water quality”

We support the proposal to make Objective A2 of the National Policy Statement for Freshwater Management more explicit by requiring councils to maintain or improve overall water quality within freshwater management units, rather than across a region. Defining or agreeing what is a freshwater management unit is important here. We support the definition being a catchment – ultimately the most logical management unit.

However, we do not support the proposal to allow councils to meet this objective so long as water quality for a freshwater management unit stays within the current attribute band. These bands are wide, allowing a doubling in nutrient, e-coli or periphyton levels between the bottom and the top of many of the bands. Allowing such flexibility, especially over the medium term calls into question the integrity of the “maintain or improve” objective.

A better approach would be to state the “maintain or improve” objective in terms of 10 year trends in the relevant attribute. The trend in each attribute would at worst remain static, but ideally improve – surely the intent of the “maintain or improve” objective.

Our submission in 2014 to the NOF (along with many others) raised concerns about the vagueness and impracticality of the wording of Objective A2. It would seem foolish for the Government to yet again be equivocal about the maintain or improve water quality objective by giving councils scope to accept a material deterioration in water quality.

Importantly, maintaining or improving water quality within a catchment implies that no further water take or discharge consents should be issued by regional councils unless the applicant can clearly demonstrate that taking water or discharging nutrients will have either no effect, or a beneficial impact, on water quality. That is a stringent test, which to date most councils have not been applying.

On a related note, the proposals to implement Good Management Practice (GMP) only apply for catchments at or near full allocation. However, if we implement the true intent of maintain or improve all catchments are actually fully allocated. Therefore the technical efficiency standards should be implemented in all catchments as the Land and Water Forum has recommended.

Macroinvertebrate Community Index

We support the use of the Macroinvertebrate Community Index (MCI) as a measure of water quality in the NOF. We do not have the expertise to comment on how this should be implemented. However, we would encourage the development of a monitoring protocol that would allow councils to use citizen scientists to help undertake the monitoring work and thus engage with locals and keep costs down.

Stock exclusion from water bodies

The proposal comes directly from a Land and Water Forum recommendation, and therefore should reflect a degree of consensus between key stakeholders (we note that Fish & Game withdrew from the collaborative process). Having a standard stock exclusion policy for the whole country and a simpler penalty regime is sensible.

We do not think the timetable is ambitious enough, nor do we think there should be any difference in the compliance deadline for cattle in waterways on lowland farms. Cattle, no matter whether they are being milked or who owns them, have much the same potential impact on unfenced waterways. So the case for having different deadlines for different types of cattle on different farms is weak. Excluding milking cows from waterways from July next year has been well signalled and widely accepted so this proposal should be implemented. But we submit that all cattle on flat land should be excluded from waterways by no later than 2020.

The current proposals appear to give farmers scope to delay meeting the proposed regulations. For example, the current proposal would allow a dairy farmer to have an adjoining property without a milking platform on it, under different ownership, running milking cows that would not have to be excluded from waterways until 2020.

Transferring consents

While we support the proposals to allow/improve the tradability of water take and discharge consents, without an effective pricing system such proposals are likely to deliver suboptimal outcomes. Water take and discharge consents clearly have real value to their “owners” and will be transferred or traded for money thereby creating a series of shadow prices. By not putting an initial price or rental on these consents the Government and regional councils are effectively allowing consent holders to capture significant wealth from the public domain. This is simply not right and needs to be resolved before implementing proposals to make it easier for consent holders to transfer or trade them.

The argument by the Minister is that this would be too complicated, however a resource rental is no more complicated than the cost recovery system currently proposed. The analogy was made to the Quota Management System where cost recovery is the norm, but the initial intent of the QMS was to have a resource rental, this was changed for cost recovery as part of the Orange Roughy debacle. We need to learn from past mistakes.

In this theme, there also need to be significant changes to the way consents are made that account for the uncertain nature of water. Abstraction rates should be a share of the flow above a certain minimum, with a sinking cap in overallocated catchments. These issues could all do with central consideration and coordination to help regions manage the transition.

Funding freshwater management

We support the idea that water users (both takers and dischargers) should fund the cost of freshwater management. In our view that is best achieved by developing a national pricing mechanism for water consents. The public at both central and local government levels are paying huge sums to clean up waterways used freely by households, manufacturers and farmers over many years. Expecting the public to carry on paying for private benefits is not fair, nor does it send the right signals to water users.

As per the point above, this ‘cost recovery’ approach could be much broader than what is currently being suggested. For example, it could include the ‘cost’ of freshwater clean ups which will be faced by many regions around the country.

By putting a price on water, central and local government would have a revenue stream to fund freshwater management as well as investing back into this valuable environmental and economic resource.

Iwi rights and interests

We have noted above that water ownership is not as clear cut as the Government's "no one owns fresh water" statement implies. Individuals and businesses do "own" water consents. Lakes, rivers, wetlands, estuaries, etc were an integral part of traditional Maori societies and economies. Water ownership still needs to be resolved.

The Next Steps paper contains a number of proposals specific to Maori interests and rights to participate in fresh water decision making. In our view there is considerable common ground between Maori and the majority of fellow New Zealanders when it comes to freshwater. We suggest that Maori interests in freshwater form the basis for a national statement on freshwater interests. Ultimately we all want to be able to swim in our rivers and lakes, gather food from our waterways, preserve their natural values, etc. We all want the right to be consulted about freshwater management – if that consultation process is not working for one group or another then by all means improve the process, but do not create consultation rights for every individual group.

Freshwater Improvement Fund

We do not support the proposal to broaden the use of the fund to assist water users to move to more environmentally friendly or efficient irrigation systems. If such public funding is appropriate (and we are not sure it can be justified, particularly until the externalities of irrigation and intensive land use are internalised) then it should come from the government irrigation fund.

A better approach would be to have a pricing system for water that provides councils and possibly central government with the funds to invest in protecting water resources. That could involve helping farmers to reduce their water take.

There is simply no case for taxpayers (and that includes many farmers with no access to water) to provide yet more public money to those who have benefited handsomely from access to free water, to compensate them for reducing their water takes.