In Confidence

Office of the Minister for the Environment

Cabinet Environment, Energy and Climate Committee

Essential Freshwater 2022 Amendments – seeking final agreement on wetland, technical, and stock exclusion amendments

Proposal

- This paper seeks decisions to amend several aspects of the Essential Freshwater package, gazetted in August 2020:
 - 1.1 agreement to amend the National Policy Statement for Freshwater Management 2000 (NPS-FM)
 - 1.2 agreement to amend the Resource Management (National Environmental Standards for Freshwater) Regulations 2020 (NES-F)
 - 1.3 agreement to amend the Resource Management (Stock Exclusion) Regulations 2020 (Stock Exclusion Regulations) and map of low slope land, which is incorporated by reference into these regulations, and
 - 1.4 authorisation to recommend the National Policy Statement for Freshwater Management 2020 Amendment No 1, Resource Management (National Environmental Standards for Freshwater) Amendment Regulations (No 2) 2022, and Resource Management (Stock Exclusion) Amendment Regulations 2022 to the Governor-General in Council for approval.
- 2 This paper also proposes:
 - 2.1 technical changes to the NPS-FM and NES-F, consistent with Cabinet's intention when the Essential Freshwater regulatory package was gazetted, and
 - 2.2 not to include a bottom line of 1 mg/litre bottom line for dissolved inorganic nitrogen (DIN) in the NPS-FM at this time.

Executive summary

- In June 2018, Cabinet approved the *Essential Freshwater* work programme to stop further degradation of New Zealand's freshwater resources, start making immediate improvements, and reverse past damage within a generation [CAB-18-MIN-0296].
- 4 Since the *Essential Freshwater* package was gazetted in August 2020, feedback has shown that amendments are required to address specific issues identified through implementation of the following components of the package:
 - 4.1 the National Policy Statement for Freshwater Management 2020 (NPS-FM)
 - 4.2 the Resource Management (National Environmental Standards for Freshwater) Regulations 2020 (NES-F), and

- 4.3 the map of low slope land, incorporated by reference into the Resource Management (Stock Exclusion) Regulations 2020 (Stock Exclusion Regulations).
- Cabinet previously agreed to consult on amendments to address the issues raised by stakeholders [refer CAB-21-MIN-0338, CAB-22-MIN-0293, CAB-21-MIN-0500 and CAB-21-MIN-0270]. Cabinet also authorised the Minister for the Environment and the Minister of Agriculture to make post-consultation policy decisions on proposed amendments and enable drafting of the amendments [CAB-21-MIN-0500].
- As public consultation on proposed amendments has been completed, and the statutory requirements under the Resource Management Act 1991 (RMA) met, the Minister for the Environment now seeks Cabinet's final agreement to policy changes and authorisation to recommend amendment regulations to the Governor-General in Council for approval.

Relation to government priorities

- The NPS-FM, NES-F, and Stock Exclusion Regulations are national direction made under the Resource Management Act 1991 (RMA). The Government's reform of the resource management system includes replacing the RMA with the Natural and Built Environment Act (NBA). Under the NBA, all existing regulations (including the proposed amendments set out here) will be transitioned into the proposed National Planning Framework, and NBE plans.
- The NPS-FM, NES-F, and Stock Exclusion Regulations are core parts of the Government's commitment to improving freshwater health and wetland protection through the *Essential Freshwater* work programme [CAB-18-MIN-0296].
- 9 Under the National Policy Statement for Urban Development 2020 (NPS-UD), local authorities must ensure that New Zealand has well-functioning urban environments that are responsive to change. Proposals to provide additional consent pathways, as outlined in this paper, acknowledge that further activities may need to occur in natural inland wetland areas to achieve the objectives of the NPS-UD.
- The Government's Infrastructure Acceleration Fund was announced last year to address a lack of infrastructure delaying new homes being built. The proposals to provide consent pathways for quarrying, mining, landfills and cleanfill areas, and urban development, as outlined in this paper, acknowledge that further activities may need to occur in natural inland wetland areas to support the construction of this infrastructure.

Background

- In June 2018, Cabinet approved the *Essential Freshwater* work programme to stop further degradation of New Zealand's freshwater resources, start making immediate improvements, and reverse past damage within a generation [CAB-18-MIN-0296].
- In August 2020, the *Essential Freshwater* regulatory package was gazetted. It included:
 - 12.1 the NPS-FM, designed to embed long term changes to freshwater management through regional plans

- the NES-F, which regulates activities that can pose a high environmental risk to freshwater ecosystems and values, and
- 12.3 the Stock Exclusion Regulations, which regulate the access of cattle, pigs, and deer to water bodies.
- Following gazettal, feedback received from councils and others is that the NPS-FM, NES-F, and Stock Exclusion Regulations require modification to support effective implementation.¹
- The Government agreed to undertake public consultation on proposed changes to address implementation issues as follows:
 - 14.1 changes to the wetland provisions in the NPS-FM and NES-F, from 1 September to 27 October 2021 [CAB-21-MIN-0338]
 - 14.2 exposure drafts of amendments to the wetland provisions and technical changes to the NPS-FM and NES-F, from 31 May to 10 July 2022 [CAB-21-MIN-0500]
 - 14.3 whether the NES-F should continue to apply in the coastal marine area, from 10 August to 21 September 2022 [CAB-22-MIN-0293], and
 - 14.4 changes to the map of low slope land in the Stock Exclusion Regulations, from 26 July 2021 to 7 October 2021 [CAB-21-MIN-0270].
- On 22 November 2021, Cabinet authorised the Minister of Agriculture and me to take post-consultation policy decisions on proposed amendments to the *Essential Freshwater* regulations, to enable drafting of amendments [CAB-21-MIN-0500]. The amendments have been drafted on this basis.
- I now seek Cabinet's final agreement to the policy decisions outlined in this paper and authorisation to recommend the amended regulations to the Governor-General in Council for approval.

Changes to the wetland provisions in the NPS-FM and NES-F

- 17 There is broad support for strong protection of wetlands. However, the proposed changes address feedback from stakeholders that currently the wetland provisions do not provide:
 - 17.1 for all the purposes in respect of which activities may need to be undertaken in natural wetland areas, which leads to constraints on necessary activities
 - 17.2 a clear enough definition of 'natural wetland', which leads to inconsistent application
 - 17.3 for wetland maintenance and biosecurity activities
 - 17.4 sufficiently for wetland restoration, which is disincentivised due to overly stringent regulations in the NES-F.
- 18 I proposed, and Cabinet agreed, to consult on:

¹ An earlier amendment to the NES-F, to its intensive winter grazing provisions, was made on 1 May 2022.

- 18.1 providing a consent pathway for quarries, cleanfill, landfill and managed fill
- 18.2 providing a consent pathway for the mining sector, including whether any checks and balances additional to what apply to other sectors in the freshwater regulations should be in place for the mining sector
- 18.3 providing a consent pathway for urban development listed in a district plan
- 18.4 ensuring that through the definition of a 'natural wetland', only those areas intended to be captured by the regulations are captured, and
- 18.5 provision for wetland maintenance and biosecurity activities
- 18.6 better provision for wetland restoration [CAB-21-MIN-0338].

Providing additional consent pathways

- The wetland provisions provide consent pathways to undertake the following activities: vegetation clearance; earthworks or land disturbance; and the discharge, take, use, damming, and diversion of water, in, or near to, natural inland wetlands for certain purposes.
- Without a consent pathway, these activities are either non-complying or prohibited. This has had a wider than anticipated effect, particularly on activities required to support the Government's goals in respect of housing supply and infrastructure upgrades. I therefore propose to provide additional consent pathways for:
 - 20.1 quarrying activities
 - 20.2 landfills and cleanfill areas
 - 20.3 the extraction of minerals and ancillary activities, and
 - 20.4 urban development on land identified for development in operative provisions of a regional or district plan.
- The additional consent pathways will be subject to the existing gateway tests, including the offsetting requirements, in the NPS-FM.
- These gateway tests address impacts that arise from activities for the purposes currently provided, eg constructing specified infrastructure, to ensure that:
 - 22.1 the activity is of significant national or regional benefit
 - 22.2 there is a 'functional need'2 for the activity to occur in that location, and
 - 22.3 the impacts of that activity are managed, through application of the 'effects management hierarchy', which requires that first, the impact is avoided where practicable, then minimised, remedied, offset, or compensation provided, in that order.

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² 'Functional need' means the need for a proposal or activity to traverse, locate or operate in a particular environment because the activity can only occur in that environment.

Defining the scope of consent pathways for quarrying and mining

- In the exposure drafts of changes, I proposed that the quarrying and mining pathways provide only for the activity of extraction and not additional activities, eg the building of ancillary structures like service roads.
- 24 Through feedback, I now consider that additional activities are likely to be required to enable extraction to occur, eg to install machinery required for extraction or to provide access to extraction sites.
- I therefore propose that the quarrying and mining consent pathways should provide for the full scope of activities required to undertake or support extraction of aggregate and minerals.

Additional controls on the mining consent pathway

- I consider that freshwater policy and regulation need to be aligned with other Government policy including the aspirational target of 100% renewable electricity generation by 2030, and the intention to phase out low and medium temperature coal fired boilers by 2037.
- The Climate Change Commission advised in its 2021 Report³ that there are alternatives to thermal coal for electricity generation and recommended that the Government phase out coal-powered electricity generation by 2030. Conversely, the Commission cautioned against acting too quickly to phase out the use of coking coal in the production of steel and cement, due to a lack of viable alternatives.
- I consulted on whether controls/restrictions should be placed on the consent pathway that I now propose for extraction of minerals and ancillary activities (ie mining).
- 29 Consequently, in respect of coal mining, I propose that:
 - 29.1 the consent pathway applies only to the operation and extension of existing mines (not to new mines)
 - 29.2 for thermal coal, the consent pathway be subject to a sunset clause of 31 December 2030 for the lodging of a consent application with the relevant consent authority
 - 29.3 for coking coal, there be no sunset clause for the operation and extension of existing mines.
- This is consistent with thermal coal resources being required in the short to medium term, eg until the 2037 phase-out of low and medium temperature coal fired boilers.
- The position for coking coal could be revisited in the future should viable alternatives become available for the production of steel and cement.
- All consent applications for mining under the NES-F (including for thermal or coking coal) would of course have to satisfy the gateway tests outlined in paragraph 22 the outcome of which, for wetlands, would be to prevent net loss of their extent or values.

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³ The New Zealand Climate Change Commission, 'Ināia tonu nei: a low emissions future for Aotearoa; Advice to the New Zealand Government on its first three emissions budgets and direction for its emissions reduction plan 2022–2025', 31 May 2021.

An existing mine is a mine lawfully established before 29 December 2022 (which is the date anticipated for amendments proposed in this paper to come into effect).

An alternative test to 'functional need' for landfills and cleanfill areas and urban development

- The 'functional need' test currently applies to all consent pathways. However, I do not consider that this test is suitable for application to the proposed consent pathways for landfill and cleanfill areas and urban development. Consent applications for these purposes would be unlikely to meet this test because their functions are not constrained by location (for example, in the same way as a quarry which can only operate where the aggregate exists).
- I therefore propose to apply a 'no practicable alternative location' test to the consent pathways for landfills and cleanfill areas, and urban development. The test will require the consent authority to be satisfied that there is either no practicable alternative location for the activity, or that every other practicable alternative location would have equal or greater adverse effects on a natural inland wetland.
- I propose that the test apply at different scales for each purpose as follows:
 - 36.1 for landfills and cleanfill areas, assess all practicable alternative locations <u>within</u> the region, and
 - 36.2 for urban development, assess all practicable alternative locations <u>within the</u> area of the development.
- For urban development, the test does not need to apply at the regional level because the proposed pathway only applies to urban development in areas identified for development in operative provisions of a regional or district plan, that are not zoned general rural, rural production, or rural lifestyle.
- Assessment of practicable alternatives will be dependent on the nature and circumstances of the consent application. The Ministry for the Environment (MfE) will provide guidance to assist consent authorities in making these assessments.

Five-year window for urban development in Tauranga

- The proposed consent pathway for urban development requires that the development occurs on land identified for urban development in the relevant provisions of a regional or district plan. This is to ensure that a thorough planning process has taken place prior to the ability to obtain consent.
- Tauranga City Council has planned key urban developments in areas where natural inland wetlands are present, through the Smart Growth Urban Form and Transport Initiative Connected Centres Programme. These developments are, however, not yet identified in the Western Bay of Plenty District Plan.
- It is not my intention for the wetland regulations to delay the provision of housing in Tauranga. I therefore propose a five-year window, within which development in Tauranga that is identified in the Smart Growth Urban Form and Transport Initiative Connected Centres Programme will be eligible to apply for consent under the urban development pathway, while a necessary plan change is undertaken.

Including additional infrastructure types in the 'specified infrastructure' definition

- The NPS-FM and NES-F provide consent pathways for the construction, maintenance, and operation, of 'specified infrastructure'.⁴
- I have concluded that additional types of infrastructure may be of significant national or regional benefit and may have a 'functional need' to locate in a natural inland wetland area. I therefore propose that the following be included within the 'specified infrastructure' definition:
 - 43.1 ski area infrastructure
 - 43.2 water storage infrastructure, and
 - 43.3 New Zealand Defence Force facilities.
- The requirement for specified infrastructure to meet the gateway tests in the NPS-FM (see paragraph 22) and to apply offsetting requirements should ensure that providing for these additional types of infrastructure does not lead to a net loss of wetland extent.

Amendments to the 'natural wetland' definition

- I propose to amend the 'natural wetland' definition to make it clearer and easier to interpret by councils and others. In particular, the amendments simplify the 'pasture exclusion' in part (c) of the definition, to clarify that where a wet area used for grazing has vegetation cover of more than 50% exotic pasture species it is not a 'natural wetland'.
- 46 The amendments also:
 - 46.1 clarify how the term 'exotic pasture species' applies by incorporating by reference into the NPS-FM a national list of exotic pasture species, along with a nationally consistent methodology for making the assessment, and
 - 46.2 provide better protection for threatened species by ensuring that wetlands that contain them are captured by the regulations, even where they would otherwise qualify for the 'pasture exclusion' in part (c).

Amendments to the wetland restoration provisions

- Wetland maintenance and biosecurity activities are often ongoing and more concerned with preservation of present state and protection from further degradation, rather than restoration. I tested definitions for these activities through the public consultation process and now propose to specifically provide for them in the wetland restoration provisions.
- I also propose changes to the wetland restoration provisions in the NES-F to better incentivise restoration activities for example, by making vegetation clearance of over

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⁴ Specified infrastructure includes: infrastructure that delivers a service operated by a lifeline utility (as defined in the Civil Defence Emergency Management Act 2002; regionally significant infrastructure identified as such in a regional policy statement or regional plan; any public flood control, flood protection, or drainage works carried out by or on behalf of a local authority, including works carried out for the purposes set out in section 133 of the Soil Conservation and Rivers Control Act 1941, or for the purpose of drainage by drainage districts under the Land Drainage Act 1908.

500 m² or 10% of a natural wetland area (whichever is the smaller) more permissible where it is for the purposes for wetland restoration or maintenance, or biosecurity.

Amendment to the NES-F so that it no longer applies to 'natural wetlands' in the coastal marine area

- The Minister of Conservation and I proposed, and Cabinet agreed, to consult on amending the NES-F so that its wetland provisions no longer apply in the coastal marine area (CMA) [CAB-22-MIN-0293], to address the following issues:
 - 49.1 the physical extent to which the NES-F applies in the CMA is currently unclear, as the 'natural wetland' definition can be interpreted as capturing a far greater area of the CMA than was the intent, and
 - 49.2 the NES-F wetland provisions currently prevent or constrain some activities in the CMA, even where they are unlikely to cause material loss or degradation of natural wetlands or are currently regulated more appropriately by regional coastal plan rules made under the New Zealand Coastal Policy Statement (NZCPS).
- Following public consultation on this matter, I propose to proceed with amending the NES-F so that its wetland provisions do not apply to wetlands in the CMA. Wetlands in the CMA will continue to be protected by regional coastal plans, developed under the NZCPS, and under the NPS-FM as receiving environments, for which land use controls must be made to ensure good estuarine outcomes.
- Wetlands in the coastal environment, but inland from the CMA, will remain subject to the NES-F.
- I also intend to develop other policies to better protect estuaries and wetlands in the CMA. I have directed officials to begin considering the specific issues raised during public consultation that impact coastal wetlands including how best to define them.

Technical changes to the NPS-FM and NES-F

- MfE has maintained a record of technical issues and provisions in the NPS-FM and NES-F that would benefit from clarification.
- I tested a range of technical changes through exposure drafts of the NPS-FM and NES-F, alongside the amendments to the wetland provisions [CAB-21-MIN-0500].
- These changes are intended to make provisions clearer and more straightforward to implement, while remaining consistent with policy decisions made by Cabinet when putting the *Essential Freshwater* package in place in 2020. I propose to implement the changes alongside those to wetland provisions in the NPS-FM and NES-F.
- I propose to make other consequential changes and corrections where necessary, for example, where amended definitions are used in the Stock Exclusion Regulations.

Reconsidering the possibility of a dissolved inorganic nitrogen bottom line

In May 2020, Cabinet agreed to reconsider the possibility of a dissolved inorganic nitrogen (DIN) bottom line of 1 mg/litre (likely with exceptions), for inclusion in the NPS-FM [CAB-20-MIN-0231/ DEV-20-MIN-0077, recommendations 25 and 159].

- 58 Officials have advised me that:
 - 58.1 the science has not materially changed since May 2020 in relation to the need for a DIN national bottom line of 1 mg/litre
 - 58.2 the existing approach set out in the NPS-FM remains preferable to imposing a DIN national bottom line, which means regional councils will locally determine the concentrations of nitrogen needed to achieve ecosystem health, rather than a 'one size for all' being imposed, and
 - technical changes to the NPS-FM, referred to in this paper, will clarify existing requirements and support implementation.
- Based on this advice from officials, I do not recommend that Cabinet reconsider a DIN national bottom line of 1 mg/litre at this time.
- In May 2020, Cabinet also agreed that there will be a review by 2023 of nitrogen management settings; and that if by then there is not a material reduction in the use of synthetic nitrogen fertiliser across New Zealand, the review will include an assessment of whether further input controls on agriculture are needed.
- I note that provisional data from the Fertiliser Association indicates nitrogen sold as fertiliser has reduced for the last two consecutive years. This is consistent with the objectives of the Essential Freshwater package, and measures to reduce nitrogen fertiliser use to achieve freshwater outcomes. Similarly, the latest environmental report Our Marine Environment 2022, shows recent trends for nutrient-related coastal and estuarine water-quality measures have been improving at more sites than worsening.

Changes to the Stock Exclusion Regulations

Changes to the map of low slope land, incorporated by reference into the Stock Exclusion Regulations

- The regulations apply to deer, pigs, and cattle, and took immediate effect for new pastoral systems while existing farms have until either 1 July 2023 or 1 July 2025 to comply, depending on stock type and practices.
- A map of low slope land is incorporated by reference into the Stock Exclusion Regulations. It identifies areas where beef cattle and deer must be excluded from access to water bodies from 1 July 2025. The map currently shows land with an average slope less than, or equal to, 10 degrees across a land parcel.
- The Minister of Agriculture and I proposed, and Cabinet agreed, to consult on changes to the map of low slope land, aimed at addressing concerns that it:
 - 64.1 includes some land with an average slope greater than 10 degrees while failing to capture some low slope land, ie due to the way it averages slope across land parcels, and
 - 64.2 captures extensive farming systems, contrary to Cabinet's intention when introducing the regulations [CAB-21-MIN-0270].
- I now propose (and the Minister of Agriculture agrees) to progress the following changes to the map of low slope land by:

- 65.1 using a more advanced mapping methodology called 'local terrain averaging' to identify low slope land without averaging across land parcels
- 65.2 focusing the map and associated requirements to exclude stock on slopes between 0 to 5 degrees and relying on freshwater farm plans to address stock exclusion on higher slopes
- 65.3 expecting that stock will accordingly be excluded as appropriate on slopes between 5 and 10 degrees (subject to farm planning processes and individual circumstances)
- 65.4 looking to experience with slopes between 5 and 10 degrees informing the development of any future practice standards
- anticipating that application of the above two measures will significantly reduce the likelihood of high slope land being captured by the low slope map, and
- applying an altitude threshold of 500 m above sea level to the map. Any land above this threshold will not be included in the map, but other requirements in the Stock Exclusion Regulations will still apply for example, the requirement to exclude beef cattle and deer that are intensively grazed, ie break feeding and grazing forage crops or irrigated pasture.

Developing an exception from the map of low slope land for extensive farming

- Even with the above changes, the map of low slope land may still capture areas of extensive farming, contrary to Cabinet's original intent [CAB-21-MIN-0270], eg extensive beef and deer operations with low stocking rates. Given that high slope land and extensive farming systems tend to be stocked at lower rates, the marginal environmental benefit of excluding stock from accessing waterways in these areas is lower, for significantly higher costs.
- We therefore seek Cabinet agreement to develop an exception from the map of low slope land, for extensive farming likely based on stocking rate.
- An exception would mean that if a farm meets a threshold or definition for extensive farming, then there would be no requirement to exclude beef cattle and deer from water bodies, despite the farm being captured by the map.
- This would not affect any other requirement to exclude stock, including where beef cattle and deer are intensively grazed, or where farm planning processes determine it is appropriate in the circumstances. An exception may also be inappropriate in some circumstances, for example where particularly sensitive water bodies are present and would be impacted despite lower stocking rates.
 - We propose to undertake further consultation to determine the correct thresholds and measures to underpin the exception. We also seek power to act to enable us to take post-consultation decisions and instruct the Parliamentary Counsel Office to draft further amendments to the Stock Exclusion Regulations. We intend to seek final Cabinet agreement in early 2023, before putting any exception in place.

Final agreement to policy changes

71 The National Policy Statement for Freshwater Management 2020 Amendment No 1 (Appendix 1), Resource Management (National Environmental Standards for

Freshwater) Amendment Regulations (No 2) 2022 (Appendix 2), and Resource Management (Stock Exclusion) Amendment Regulations 2022 (Appendix 3), give effect to the policy decisions outlined in this paper.

- I seek Cabinet authorisation to recommend the National Policy Statement for Freshwater Management 2020 Amendment No 1 and Resource Management (National Environmental Standards for Freshwater) Amendment Regulations (No 2) 2022, to the Governor-General in Council for approval, in accordance with section 52(2) of the RMA.⁵
- I also seek Cabinet authorisation to recommend the Resource Management (Stock Exclusion) Amendment Regulations 2022, to the Governor-General in Council for approval, in accordance with section 360(1).
- As the map of low slope land is incorporated by reference into the Stock Exclusion Regulations under section 360(4), amendments require only Cabinet approval (under the process set out at Schedule 1AA of the RMA) and do not require recommendation to the Governor-General in Council.

Timing and the 28 day rule

- I do not propose to waive the 28 day rule for the instruments specified in paragraphs 72 and 73. These amendments will take effect once the 28 day period has elapsed.
- I will publish a notice stating that the amendments referred to in paragraph 74 have been made and specify the date at which the amendments take effect, in accordance with Schedule 1AA of the RMA.

Compliance with the RMA

- 77 I confirm the regulations comply with each of the following:
 - 77.1 the principles of the Treaty of Waitangi
 - 77.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993
 - 77.3 the principles and guidelines set out in the Privacy Act 2020
 - 77.4 relevant international standards and obligations, and
 - 77.5 the Legislation Guidelines (2018) maintained by the Legislation Design and Advisory Committee.

Statutory requirements

- The statutory requirements that apply to amending a national policy statement (NPS), or a national environmental standard (NES) are set out in sections 53 and 44, respectively (and in turn refer to section 46A). I consider that these statutory requirements have been met.
- 79 Section 46A outlines the process for amending an NPS or NES. It requires that the Minister for the Environment choose between using a board of inquiry or a process

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⁵ All section or Schedule references in this Cabinet paper are to the RMA unless otherwise specified.

that meets similar standards, including adequate consultation. I chose the 'alternative process' to a Board of Inquiry, described in section 46A(3)(b).

Consultation under section 46A

- Since gazettal of the *Essential Freshwater* package in 2020, officials have engaged with external stakeholders to identify implementation issues. Feedback was received that some aspects of the NPS-FM and NES-F require modification to support effective implementation and achieve improved environmental outcomes.
- I consulted with the public and iwi authorities, as required by the Act, on proposed changes to the NPS-FM and NES-F as outlined in paragraph 14.
- I am satisfied that the public and iwi authorities were given notice of proposed changes and the reasons for those and had adequate time and opportunity to make a submission (in accordance with section 46A(4)(a) and (b)).

Considerations under section 46A

- Officials prepared a report and recommendations (Appendix 4) in accordance with section 46A(4)(c), for:
 - 83.1 amendments to the wetland provisions in the NPS-FM and NES-F
 - 83.2 consultation drafts of technical changes and amendments to the wetland provisions in the NPS-FM and NES-F, and
 - 83.3 the question of whether the NES-F should continue to apply in the CMA.
- Officials prepared an evaluation report in accordance with section 32 for amendments to the NPS-FM and NES-F (Appendix 5).
- Prior to recommending the amendments to the NPS-FM and NES-F presented here, I have considered the evaluation report and have had particular regard to it in terms of sections 52(1)(c) and 44(1)(c).
- Also, in accordance with section 44(1)(d), I have publicly notified the report and recommendations made under section 46A(4)(c) in relation to the proposed NES-F amendments.

Regulations Review Committee

- The Regulations Review Committee (the Committee) has previously investigated a complaint under Standing Order 327(2)(i), in relation to regulation 54(c) of the NES-F (non-complying activity status for discharges to a wetland). MfE officials provided the Committee with a response to this complaint in November 2021.
- I am confident that there are no further grounds for the Committee to draw the NES-F, NPS-FM, or Stock Exclusion Regulations to the attention of the House of Representatives under Standing Order 319.

Certification by Parliamentary Counsel

The Resource Management (National Environmental Standards for Freshwater)
Amendment Regulations (No 2) 2022 and Resource Management (Stock Exclusion)

Amendment Regulations 2022, have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Impact Analysis

- 90 Treasury's Regulatory Impact Analysis Team determined that a Regulatory Impact Statement was required for:
 - 90.1 amendments to the wetland provisions in the NPS-FM and NES-F (Appendix 6)
 - 90.2 amendments to the application of the NES-F to the CMA (Appendix 7), and
 - 90.3 amendments to the map of low slope land in the Stock Exclusion Regulations (Appendix 8).
- A Regulatory Impact Assessment Panel from MfE reviewed these Regulatory Impact Statements. The Panel confirmed that the level of information provided meets quality assessment criteria.
- The Treasury's Regulatory Impact Analysis team has determined that the seven technical changes outlined in Appendix 5 are exempt from the requirement to provide a Regulatory Impact Statement on the grounds that they have no or only minor impacts on businesses, individuals, and not-for-profit entities.
- The Climate Implications of Policy Assessment (CIPA) team has also been consulted in relation to the proposed technical changes and confirmed that the CIPA requirements do not apply to these proposals as the threshold for significance is not met.

Publicity

I will make a public announcement following Cabinet approval, confirming the amendments to the NPS-FM, NES-F, Stock Exclusion Regulations and the map of low slope land.

Proactive release

- I will release this paper following Cabinet decisions, including any redactions as appropriate under the Official Information Act 1982.
- 96 Final proofing and formatting changes may be made prior to publishing this Cabinet package on the MfE website, but there will be no material changes to the content of the Cabinet package.

Consultation

- 97 Proposed changes to the NPS-FM and NES-F were developed by officials from MfE in consultation with:
 - 97.1 officials from the Department of Conservation, as they relate to wetland restoration, the application of the NES-F to the CMA, and stock exclusion, and
 - 97.2 officials from the Ministry of Housing and Urban Development, as they relate to urban development.

- Changes to the map of low slope land in the Stock Exclusion Regulations were jointly developed by officials from MfE and the Ministry for Primary Industries.
- The following were provided opportunity to comment, and where comments were received, they have been reflected in this paper: Parliamentary Counsel Office; The Treasury; Ministry of Justice; Office for Māori Crown Relations; Department of Conservation; Ministry for Primary Industries; New Zealand Infrastructure Commission; Ministry of Housing and Urban Development; Ministry of Business, Innovation and Employment; and Department of Internal Affairs. The Department of the Prime Minister and Cabinet was informed of the proposals.
- 100 Consultation with public, iwi authorities, and stakeholders is described above, as this is also a matter for compliance with statutory requirements.

Recommendations

The Minister for the Environment recommends that the Cabinet Environment, Energy and Climate Committee:

Background

- note that in June 2018 Cabinet approved the *Essential Freshwater* work programme [CAB-18-MIN-0296]
- 2 **note** that in August 2020 the *Essential Freshwater* regulatory package was gazetted, comprising:
 - 2.1 the National Policy Statement for Freshwater Management 2020 (NPS-FM)
 - the Resource Management (National Environmental Standards for Freshwater)
 Regulations 2020 (NES-F), and
 - 2.3 the Resource Management (Stock Exclusion) Regulations 2020 (Stock Exclusion Regulations)
- note that feedback has been received that the NPS-FM, NES-F, and Stock Exclusion Regulations require modification to support effective implementation
- 4 **note** that public consultation has occurred on proposed changes to address implementation issues as follows:
 - 4.1 changes to the wetland provisions in the NPS-FM and NES-F, from 1 September to 27 October 2021 [CAB-21-MIN-0338]
 - exposure drafts of amendments to the wetland provisions and technical changes to the NPS-FM and NES-F, from 21 May to 10 July 2022 [CAB-21-MIN-0500]
 - 4.3 whether the NES-F should continue to apply in the coastal marine area, from 10 August to 21 September 2022 [CAB-22-MIN-0293], and
 - changes to the map of low slope land in the Stock Exclusion Regulations, from 26 July 2021 to 7 October 2021 [CAB-21-MIN-0270]
- 5 **note** that Cabinet authorised the Minister for the Environment and the Minister of Agriculture to take post-consultation policy decisions to enable the drafting of

amendments to the *Essential Freshwater* regulations [CAB-21-MIN-0500], and that amendments have been drafted on this basis

Changes to the wetland provisions in the NPS-FM and NES-F

- **note** that while there is broad support for strong protection of wetlands. the proposed changes address feedback from stakeholders, including regional councils, that currently the wetland provisions do not provide:
 - 6.1 for all the purposes in respect of which activities may need to be undertaken in natural wetland areas, which leads to constraints on necessary activities
 - 6.2 a clear enough definition of natural wetland, which leads to inconsistent application
 - 6.3 for wetland maintenance and biosecurity activities
 - 6.4 sufficiently for wetland restoration, which is disincentivised due to overly stringent regulations in the NES-F
- 7 **note** that Cabinet agreed to consult on:
 - 7.1 providing a consent pathway for quarries, cleanfill, landfill and managed fill
 - 7.2 providing a consent pathway for the mining sector, including whether any checks and balances additional to what apply to other sectors in the freshwater regulations should be in place for the mining sector
 - 7.3 providing a consent pathway for urban development listed in a district plan
 - 7.4 ensuring that through the definition of natural wetland only those areas intended to be captured by the regulations are captured, and
 - 7.5 better provision for wetland restoration [CAB-21-MIN-0338]

Providing additional consent pathways

- note that the wetland provisions provide consent pathways to undertake the following activities: vegetation clearance; earthworks or land disturbance; and the discharge, take, use, damming, and diversion of water, in, or near to, natural inland wetlands for certain purposes
- note that without a consent pathway, these activities are either non-complying or prohibited, and this has had a wider than anticipated effect on activities required to support the Government's goals in respect of housing supply and infrastructure upgrades
- **agree** to provide additional consent pathways for:
 - 10.1 quarrying activities
 - 10.2 landfills and cleanfill areas
 - 10.3 the extraction of minerals and ancillary activities, and
 - 10.4 urban development on land identified for development in operative provisions of a regional or district plan

- agree that the additional consent pathways will be subject to the gateway tests, including the offsetting requirements, in the NPS-FM
- **note** that these gateway tests address impacts arising from activities for the purposes currently provided for, eg constructing specified infrastructure, to ensure that:
 - 12.1 the activity is of significant national or regional benefit
 - 12.2 there is a functional need for the activity to occur in that location, and
 - 12.3 the impacts of that activity are managed, through application of the 'effects management hierarchy', which requires that first, the impact is avoided where practicable, then minimised, remedied, offset, or compensated, in that order

Defining the scope of consent pathways for quarrying and mining

- note that the proposal in the exposure drafts of changes was for the quarrying and mining pathways to provide only for the activity of extraction
- **note** that additional activities are likely to be required to enable extraction to occur, eg to install machinery required for extraction or to provide access to extraction sites
- agree that the quarrying and mining consent pathways will provide for the full scope of activities required to undertake or support extraction of aggregate and minerals

Additional controls on the mining consent pathway

- note the desirability of freshwater policy and regulation being aligned with other Government policy, including the Government's aspirational target of 100% renewable electricity generation by 2030, and the intention to phase out low and medium temperature coal fired boilers by 2037
- 17 **note** that the Climate Change Commission recommended that the Government phase out thermal coal-powered electricity by 2030, but cautioned against acting too quickly to phase out the use of coking coal in the production of steel and cement, due to a lack of viable alternatives
- note that the Minister for the Environment consulted on whether controls/restrictions should be placed on the consent pathway for extraction of minerals and ancillary activities (ie mining)
- 19 **agree** that in respect of coal mining:
 - 19.1 the consent pathway apply only to the operation and extension of existing mines (not to new mines)
 - 19.2 for thermal coal, the consent pathway be subject to a sunset clause of 31 December 2030 for the lodging of a consent application with the relevant consent authority
 - 19.3 for coking coal, there be no sunset clause for the operation and extension of existing mines
- 20 note that this is consistent with thermal coal resources being required in the short to medium term, eg until the 2037 phase-out of low and medium temperature coal fired boilers

- 21 **note** that the position for coking coal could be revisited in the future should viable alternatives become available for the production of steel and cement
- note that all consent applications for mining under the NES-F (including for thermal or coking coal) would have to satisfy the gateway tests outlined in recommendation 12, the outcome of which, for wetlands, would be to prevent net loss of their extent or values

An alternative test to functional need for landfills, cleanfill areas and urban development

- note that the 'functional need' test is not suitable for application to the proposed consent pathways for landfill and cleanfill areas and urban development, as consent applications for these purposes would be unlikely to meet the test because their functions are not constrained by location
- agree to apply a 'no practicable alternative location' test to the consent pathways for landfills and cleanfill areas and urban development
- agree that the test will require the consent authority to be satisfied that there is either no practicable alternative location for the activity, or that every other practicable alternative location would have equal or greater adverse effects on a natural inland wetland
- agree that the test apply at difference scales for each purpose as follows:
 - 26.1 for landfills and cleanfill areas, assess all practicable alternative locations <u>within</u> the region, and
 - 26.2 for urban development, assess all practicable alternative locations within the area of the development
- 27 **note** that, for urban development, the test does not need to apply at the regional level because the proposed pathway only applies to urban development in areas identified for development in operative provisions of a regional or district plan, that are not zoned general rural, rural production or rural lifestyle
- note that assessment of practicable alternatives will be dependent on the nature and circumstances of the consent application, and that the Ministry for the Environment will provide guidance to assist consent authorities in making these assessments

Five-year window for urban development in Tauranga

- 29 **note** that the proposed consent pathway for urban development requires that the development occurs on land identified for urban development in the relevant provisions of a regional or district plan
- note that Tauranga City Council has planned key urban developments in areas where natural inland wetlands are present, through the Smart Growth Urban Form and Transport Initiative Connected Centres Programme and that these are not yet identified in the Western Bay of Plenty District Plan
- agree to provide a five-year window, within which development in Tauranga that is identified in the Smart Growth Urban Form and Transport Initiative Connected Centres Programme will be eligible to apply for consent under the urban development pathway

Including additional infrastructure types in the 'specified infrastructure' definition

- note that the NPS-FM and NES-F provide consent pathways for the construction, maintenance, and operation of specified infrastructure
- note that additional types of infrastructure may be of significant national or regional benefit and may have a functional need to occur in a natural inland wetland area
- **agree** to include the following types of infrastructure within the specified infrastructure definition:
 - 34.1 ski area infrastructure
 - 34.2 water storage infrastructure, and
 - 34.3 New Zealand Defence Force facilities
- note that the requirement for specified infrastructure to meet the gateway tests in the NPS-FM (see recommendation 12) and to apply offsetting requirements should ensure that providing for these additional types of infrastructure does not lead to a net loss of wetland extent

Amendments to the natural wetland definition

- agree to amend the natural wetland definition to:
 - 36.1 make it clearer and simplify the pasture exclusion in part (c) of the definition so that an area is not a natural wetland if it is in an area of pasture used for grazing and has vegetation cover of more than 50% exotic pasture species
 - 36.2 clarify how the term exotic pasture species applies by incorporating by reference into the NPS-FM a national list of exotic pasture species, along with a nationally consistent methodology for making the assessment, and
 - 36.3 provide better protection for threatened species by ensuring that wetlands that contain them are captured by the natural wetland definition, even where they would otherwise qualify for the pasture exclusion in part (c)

Amendments to the wetland restoration provisions

- 37 **note** that wetland maintenance and biosecurity activities are often ongoing and concerned with the preservation of present state and protection from further degradation, rather than restoration
- 38 agree to:
 - 38.1 define wetland maintenance and biosecurity activities and provide for these in the wetland restoration provisions, and
 - 38.2 amend the wetland restoration provisions in the NES-F so that they better incentivise wetland restoration activities

Amendment to the NES-F so that it no longer applies to natural wetlands in the coastal marine area

note that Cabinet agreed to consult on amending the NES-F so that its wetland provisions no longer apply in the coastal marine area (CMA) [CAB-22-MIN-0293], to address the following issues:

- 39.1 the physical extent to which the NES-F applies in the CMA is currently unclear, as the natural wetland definition can be interpreted as capturing a far greater area of the CMA than was the intent, and
- 39.2 the NES-F wetland provisions currently prevent or constrain some activities in the CMA, even where they are unlikely to cause material loss or degradation of natural wetlands or are currently regulated more appropriately by regional coastal plan rules made under the New Zealand Coastal Policy Statement (NZCPS)
- 40 **agree** to amend the NES-F wetland provisions so that they no longer apply to wetlands in the CMA
- 41 **note** that wetlands in the CMA will continue to be protected by regional coastal plans under the NZCPS and as receiving environments under the NPS-FM
- note that wetlands in the coastal environment, but inland from the CMA, will remain subject to the NES-F
- 43 **note** that the Minister for the Environment intends to develop other policies to better protect estuaries and wetlands in the CMA, and has directed officials to begin considering the specific issues raised during public consultation that impact coastal wetlands

Technical changes to the NPS-FM and NES-F

- 44 **note** that the Ministry for the Environment has maintained a record of technical issues and provisions in the NPS-FM and NES-F that would benefit from clarification
- note that technical changes to the NPS-FM and NES-F have been tested through exposure drafts, alongside amendments to the wetland provisions [CAB-21-MIN-0500]
- 46 **note** that these changes are intended to make provisions clearer and more straightforward to implement, and are consistent with previous policy decisions made by Cabinet
- 47 **note** that other consequential changes and corrections will be made where necessary, for example, where amended definitions are used in the Stock Exclusion Regulations

Reconsidering the possibility of a dissolved inorganic nitrogen bottom line

- 48 **note** that Cabinet previously agreed to reconsider the possibility of a dissolved inorganic nitrogen (DIN) bottom line of 1 mg/litre [CAB-20-MIN-0231/ DEV-20-MIN-0077, recommendations 25 and 159]
- **note** that officials have advised the Minister for the Environment that:
 - 49.1 the science has not materially changed since May 2020 in relation to the need for a DIN national bottom line of 1 mg/litre
 - 49.2 the existing approach set out in the NPS-FM remains preferable to imposing a DIN national bottom line, which means regional councils will locally-determine the concentrations of nitrogen needed to achieve ecosystem health, rather than a 'one size for all' being imposed, and

- 49.3 technical changes to the NPS-FM, referred to in this paper, will clarify existing requirements and support implementation
- 50 **note** that based on this advice from officials, the Minister for the Environment does not recommend that Cabinet reconsider a DIN national bottom line of 1 mg/litre at this time
- note that in May 2020, Cabinet also agreed that there will be a review by 2023 of nitrogen management settings; and that if by then there is not a material reduction in the use of synthetic nitrogen fertiliser across New Zealand, the review will include an assessment of whether further input controls on agriculture are needed
- note that provisional data from the Fertiliser Association indicates nitrogen sold as fertiliser has reduced for the last two consecutive years, consistent with the objectives of the Essential Freshwater package
- 53 **note** that the latest environmental report *Our Marine Environment* 2022, shows recent trends for nutrient-related coastal and estuarine water-quality measures have been improving at more sites than worsening

Changes to Stock Exclusion Regulations

Changes to the map of low slope land, incorporated by reference into the Stock Exclusion regulations

- note that the Stock Exclusion Regulations apply to deer, pigs, and cattle, and took immediate effect for new pastoral systems while existing farms have until either 1 July 2023 or 1 July 2025 to comply, depending on stock type and practices
- note that a map of low slope land is incorporated by reference into the Stock Exclusion Regulations, identifies areas where beef cattle and deer must be excluded from access to water bodies from 1 July 2025, and currently shows land with an average slope less than, or equal to, 10 degrees across a land parcel
- note that Cabinet agreed to consult on changes to the map of low slope land, aimed at addressing concerns that it:
 - 56.1 includes some land with an average slope greater than 10 degrees while failing to capture some low slope land, and
 - 56.2 captures extensive farming systems, contrary to Cabinet's intention when introducing the regulations [CAB-21-MIN-0270]
- agree to progress the following changes to the map of low slope land with the following changes by:
 - 57.1 using a more advanced mapping methodology to identify low slope land without averaging across land parcels
 - 57.2 focusing the map and associated requirements to exclude stock on slopes between 0 to 5 degrees, and relying on freshwater farm plans to address stock exclusion on higher slopes
 - 57.3 applying an altitude threshold of 500 m above sea level to the map, with any land above this threshold not being included in the map, but other requirements in the Stock Exclusion Regulations still applying for example, the requirement

to exclude beef cattle and deer that are intensively grazed, ie break feeding and grazing forage crops or irrigated pasture

note the expectation that stock will be excluded on slopes between 5 and 10 degrees (subject to farm planning processes and individual circumstances), and that experience with this will inform the development of any future practice standards

Developing an exception from the map of low slope land for extensive farming

- note that even with the above changes, the map of low slope land may still capture areas of extensive farming, contrary to Cabinet's original intent [CAB-21-MIN-0270]
- note that as high slope land and extensive farming systems tend to be stocked at lower rates, the marginal environmental benefit of excluding stock from accessing waterways in these areas is lower, for significantly higher costs
- agree to develop an exception from the requirement to exclude beef cattle and stock from water bodies for farms that meet a threshold or definition for extensive farming, even where these are captured by the map of low slope land
- note that this would not affect any other requirement to exclude stock, including where beef cattle and deer are intensively grazed, or where farm planning processes determine it is appropriate in the circumstances
- 63 **note** that an exception may be inappropriate in some circumstances, for example where particularly sensitive water bodies are present
- agree to undertake further consultation to determine the correct thresholds and measures to underpin the exception
- authorise the Minister of Environment and Minister of Agriculture to have power to act to enable them to take post-consultation decisions and instruct the Parliamentary Counsel Office to draft further amendments to the Stock Exclusion Regulations
- 66 **note** that the Minister of Environment and Minister of Agriculture intend to seek final Cabinet agreement on this matter in early 2023, before putting any exception in place

Final agreement to policy changes

- 67 **note** that the National Policy Statement for Freshwater Management 2020 Amendment No 1 (Appendix 1), Resource Management (National Environmental Standards for Freshwater) Amendment Regulations (No 2) 2022 (Appendix 2), and Resource Management (Stock Exclusion) Amendment Regulations 2022 (Appendix 3), give effect to the policy decisions outlined in this paper
- authorise the Minister for the Environment to recommend the National Policy Statement for Freshwater 2020 Amendment No 1, and Resource Management (National Environmental Standards for Freshwater) Amendment Regulations (No 2) 2022 to the Governor-General in Council for approval, in accordance with section 52(2) of the Resource Management Act 1991⁶

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⁶ All subsequent section or Schedule references in these recommendations are to the RMA.

- authorise the Minister for the Environment to recommend the Resource Management (Stock Exclusion) Amendment Regulations 2022, to the Governor-General in Council for approval, in accordance with section 360(1)
- note that as the map of low slope land is incorporated by reference into the Stock Exclusion Regulations under section 360(4), amendments require only Cabinet approval (under the process set out at Schedule 1AA) and do not require recommendation to the Governor-General in Council
- authorise the Minister for the Environment to make any final drafting changes to the instruments specified in recommendations 68 and 69, if required to give full effect to the recommendations in this paper

Timing and the 28 day rule

- note that the Minister for the Environment does not propose to waive the 28 day rule for the instruments specified in recommendations 68 and 69, and that these amendments will take effect once the 28 day period has elapsed
- note that the Minister for the Environment will publish a notice stating that the amendments referred to in recommendation 70 have been made and specify the date at which these amendments take effect, in accordance with Schedule 1AA

Compliance with the RMA

Statutory requirements

- note that the statutory requirements that apply to amending a national policy statement (NPS) are described in section 53, and that the Minister for the Environment is satisfied that these requirements have been met
- note that the statutory requirements that apply to amending a national environmental standard (NES) are described in section 44, and that the Minister for the Environment is satisfied that these requirements have been met
- note that section 46A prescribes a choice of processes before amending a NPS or NES, and that the Minister for the Environment chose the 'alternative process' to a Board of Inquiry, described in section 46A(3)(b)

Consultation under section 46A

77 **note** that the public and iwi authorities were given notice of proposed changes and the reasons for those, and had adequate time and opportunity to make a submission (in accordance with section 46A(4)(a) and (b)

Considerations under section 46A

- 78 **note** that following public consultation, officials prepared a report and recommendations (Appendix 4) in accordance with section 46A(4)(c), for:
 - 78.1 amendments to the wetland provisions in the NPS-FM and NES-F
 - 78.2 exposure drafts of technical changes and amendments to the wetland provisions in the NPS-FM and NES-F
 - 78.3 options to retain or amend the application of the NES-F to the CMA

- 79 **note** that following public consultation, officials prepared an evaluation report in accordance with section 32 for amendments to the NPS-FM and NES-F (Appendix 5)
- note that the Minister for the Environment has considered the evaluation report and has had particular regard to it
- 81 **note** that in accordance with section 44(1)(d), the Minister for the Environment has publicly notified the report and recommendations made under section 46A(4)(c)

Regulations Review Committee

- note that the Regulations Review Committee (the Committee) has previously investigated a complaint under Standing Order 327(2)(i), in relation to regulation 54(c) of the NES-F (non-complying activity status), and that Ministry for the Environment officials provided the Committee with a response to this complaint in November 2021
- note that the Minister for the Environment is confident that there are no further grounds for the Committee to draw the NES-F, NPS-FM, or Stock Exclusion Regulations to the attention of the House of Representatives under Standing Order 319

Proactive release

note that final proofing and formatting changes may be made prior to publishing the Cabinet package on the Ministry for the Environment website, but there will be no material changes to the content of the Cabinet package.

Authorised for lodgement

Hon David Parker

Minister for the Environment

List of appendices

Appendix 1

National Policy Statement for Freshwater Management Amendment No 1

Appendix 2

Resource Management (National Environmental Standards for Freshwater) Amendment Regulations (No 2) 2022

Appendix 3

Resource Management (Stock Exclusion) Amendment Regulations 2022

Appendix 4

Amendments to the NES-F and NPS-FM 2022 - Report and recommendations

Appendix 5

Amendments to the 2020 NES-F and NPS-FM - Section 32 Evaluation Report

Appendix 6

Regulatory Impact Statement – Changes to wetland regulations (inland wetlands)

Appendix 7

Regulatory Impact Statement – Changes to wetland regulations (CMA wetlands)

Appendix 8

Regulatory Impact Statement - Changes to the map of low slope land in stock exclusion regulations