

In Confidence

Office of the Minister for Primary Industries
Office of the Minister for the Environment

Chair
Cabinet Economic Growth and Infrastructure Committee

Water Reform: Overview

Proposal

1. This paper:

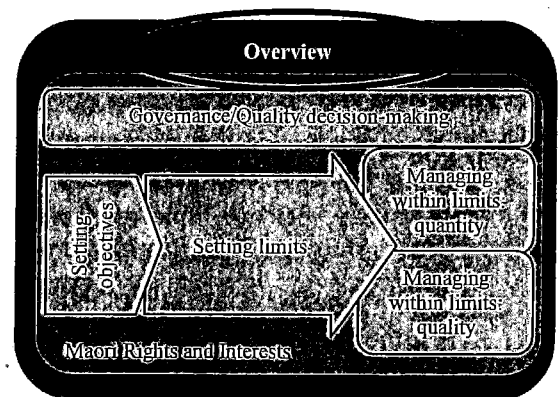
- introduces a strategy for reform of freshwater management that would better achieve both environmental and economic outcomes in the long term, while also addressing immediate concerns with the current system.
- seeks agreement in principle to public consultation in early 2013 on proposals for implementing a water reform strategy that includes governance, setting objectives and limits, managing within limits (quality and quantity) and that better reflects Māori/iwi rights and interests in water management.

Executive Summary

2. We have an opportunity to implement a significant water reform strategy to maximise opportunities and address problems with our system for managing fresh water. New Zealand needs this reform to the management of its freshwater resources to provide for economic growth and improve environmental outcomes. The current system is litigious and expensive, locks up water in potentially inefficient and lower value uses, and has led to some water bodies being over-allocated, while in others water quality is declining. Delivering water reform is a key plank of our Business Growth Agenda for natural resources. Reforms would draw on work on the Fresh Start for Fresh Water programme, including the reports of the Land and Water Forum (the Forum) and engagement with Iwi Leaders Group (ILG).
3. Improving water management systems will require solutions that start now and adapt over the long-term. We recommend introducing changes over the next year and signalling that we will build on these progressively over time. The short-term changes will enable us to address our immediate concern about the transparency and quality of decision-making in how regions set limits, roll out those tools that can be developed quickly, and target further well-known problems in the system. We can also make changes now that will lay the foundation for addressing further problems that need longer-term or more complex solutions. The longer-term focus will allow us to address remaining tough choices that will need to be made over

the coming years to achieve the ultimate goal of maximising the economic efficiency and environmental sustainability of water and land use.

4. We recommend the following approach in the short-term:
 - a. Consider a package of proposals for the implementation of a water reform strategy, drawing on the work of the Forum and engagement with the ILG, and further analysis by officials. We will bring papers to EGI on 28 November 2012 to outline the core policy elements.
 - b. Undertake public consultation on proposals for implementing a water reform strategy, through a discussion document in early 2013.
 - c. Confirm how to implement the water reform strategy following feedback by mid-2013.
 - d. Implement a series of changes (to guidance, regulation and legislation) in 2013. Any legislative changes would be part of the Resource Management Bill proposed for mid 2013.
 - e. Signal further reforms that will be needed in coming years and how we will ensure the strategy can adapt to remain effective over time.
5. Annex A illustrates the proposed schedule of Cabinet papers on water reform through to
6. There are many elements to an effective water management system, which are all critically dependent on each other. The papers we will bring to EGI on 28 November will outline each of the core policy elements: governance and decision-making arrangements for freshwater management; setting objectives and limits for resource use; and tools and processes for managing to these limits for both water quality and quantity. Interwoven within each of these elements is how we address the rights and interests of Māori/iwi. A final paper in December 2012 will bring together the package of proposals for the strategy, provide an overview of how iwi rights and interests may be considered and guide the preparation of the discussion document.



7. Reform across all core policy elements is needed to address both the immediate and the medium/longer-term issues. For each element, we will need to consider the balance of direction and guidance, the extent of change sought and the timing and speed of rollout. Reforms will need to include delivering:
 - **guidance** material on a range of topics, combined with **support** for capability building, information and models, plan development and legacy issues
 - **changes to statutory powers** to widen the policy and decision-making toolkit available to regional councils and government, including reserve powers
 - **national direction** e.g. on objectives and processes for managing to limits. These may be through regulatory or other mechanisms.

8. In response to concerns that decisions are, or could be, made without understanding the economic impact, officials are working on economic analysis (including with several regional councils). This will inform the decisions we need to make over the next year. It will also be used to improve community conversations on environment and economy tradeoffs at a regional scale, and to build a best practice approach to decision making by councils. However, there are still gaps in information and methods at firm, catchment, and regional levels which will need development over a number of years to address.
9. A companion paper covers the third and final report of the Land and Water Forum and an overview of all of the Forum's recommendations. The members of the Forum have achieved considerable success in using a collaborative approach to progress the Government's strategic direction for fresh water. In order to preserve this constituency and momentum for reform, it will be important that the majority of proposals included in any public discussion document build upon the range of options explored by the Forum.

Background

Fresh Start for Fresh Water (FSFW) – developing a freshwater management system

10. Water reform is a key plank of the Business Growth Agenda for natural resources. Since 2009, the Government has taken a three-pronged approach to freshwater reform: engagement with iwi through discussions with an Iwi Leaders Group; a comprehensive officials-led work programme that included further work on the National Policy Statement on Freshwater Management to set limits for water quality and quantity and funds for irrigation and clean-up; and advice from an independent group of diverse stakeholders with an interest in freshwater use and management, the Land and Water Forum (the Forum).
11. In May 2011, Cabinet noted that the key to water reform is delivery of new methods, tools and governance arrangements for setting and managing to limits for water quality and quantity [CAB Min (11) 18/9]. To progress this, Cabinet commissioned the next phase of work as Fresh Start for Fresh Water (FSFW), a three tranche programme to provide advice on what this improved freshwater management regime should look like. Tranche one included the establishment of the National Policy Statement on Freshwater Management (NPS-FM), the FSFW Clean-up Fund and the Irrigation Acceleration Fund (IAF). In particular, the NPS-FM set out requirements for councils to set objectives and limits by 2030.
12. In July 2012, Cabinet Business Committee invited the Minister for Primary Industries and the Minister for the Environment to report back to the Economic Growth and Infrastructure Committee (EGI) by 30 November 2012 on further analysis under tranche two of the FSFW programme on the Forum's recommendations on setting objectives and limits and new work under tranche three covering managing within limits [CBC Min (12) 5/5 refers]. The results from this work will be included in papers on the core policy elements over the next few weeks.

Constituency for change – the work of the Forum

13. The Forum's involvement in the FSFW programme has been crucial in creating a constituency for change around how we manage freshwater, a historically polarised issue. The consensus that the Forum has achieved on dealing with some long-running problems in freshwater management creates a unique opportunity to reform freshwater management with wide (although not universal) support from a diverse range of stakeholders. While the consensus is not uniformly strong on every issue, and there are some issues that they either did not cover or did not reach consensus on, Forum members have demonstrated a willingness to support the group's recommendations in the interest of progressing freshwater reform. They have reached consensus on some core foundational issues for reform.
14. Further information and advice on the Forum, including their third and final report is in the parallel paper *Water Reform – The third report of the Land and Water Forum*.

Rights and Interests of Māori

15. The approach of the FSFW programme is designed to support, and avoid foreclosing, solutions that have the potential to address many of the significant rights and interests issues raised by iwi. Options for iwi/Māori involvement remain under active discussion between Ministers and the ILG. Rights and interests issues are being considered through various elements of the reform programme.

16. Decisions on the nature and extent of iwi input will be dependent on factors such as ensuring the overall objectives of the reforms are not compromised and judgments as to the make-up of existing rights or interests.

Wider system reforms

17. We need to make decisions on water reform in the context of wider resource management and local government reforms.
18. Resource Management: Reform of the water management system fits within the Government's broader resource management reforms. At a general level approaches taken to managing freshwater may be suitable in other areas of resource management, such as the role of national direction on limit-setting, ensuring economic considerations are appropriately taken into account (section 32) and improving participation of iwi/Māori in the governance of the resource management system.
19. Local Government: the water and RMA reforms are two of several work-streams currently underway that affect and are affected by local government including: the Building Act, land transport management, Auckland's Unitary planning process and work on integrated planning and the Better Local Government process.

20. Connections between these work-streams include a much greater focus on improving the practicality of these regimes by providing:

- clear long-term goals that provide investment certainty, and the right mix of central direction and local discretion in each regime
- short-term capability building for regulators (central and local) and stakeholders
- a sustained effort to monitor and improve performance and accountability for processes (e.g. consenting) and outcomes.

Why we need substantive change now

21. At present, poor management of our freshwater resource poses risks to the economy and environment. Reform is needed to develop a more effective freshwater management regime that can improve water quality and biodiversity, maximise opportunities for economic growth, increase agricultural outputs through more efficient allocation and development, avoid costs in planning and judicial processes and clean-up, provide greater investment certainty, improve productivity through more efficient use of resources, better reflect Māori/iwi rights and interests in water management, and balance environmental and economic outcomes.

22. In the short term we are concerned that some regional councils are setting limits without sufficient information, particularly economic analysis, or transparency of decision-making. This was happening with limits set prior to the release of the National Policy Statement for Freshwater Management 2011 (NPS-FM) and is an ongoing risk without further reform. We are concerned that objectives, limits, and transition timelines in some instances appear to be unreasonable or poorly informed, may be restrictive and unnecessarily constrain growth. There is still time for central government to establish clear expectations for councils on how the NPS-FM should be implemented. We are also seeing emergent collaboration among stakeholders in some regions that may not deliver without the wider context and support of a national approach.

23. Currently, water is over-allocated in some places and deteriorating in quality, efficiency of use needs improvement, incentives for better management are poor and planning is weak. Specific problems in the current system are:

- water quality is declining in many areas. This creates risks to the environment, economy, iwi interests and recreation: e.g. between 1989 and 2007, there were strong increasing trends in phosphorous and nitrogen, particularly in rivers with predominantly pasture in the catchment. Recreational sites are impacted by micro-organisms which affect human health. 24% of monitored recreation sites are generally unsuitable for swimming and a further 21% of sites should be avoided for swimming.
- it is litigious and expensive. This creates high costs for councils and users; e.g. recent water plans have taken 5-10 years to finalise; the costs to the Horizons regional council of the One Plan are approximately \$9.4 million – and this doesn't reflect costs to the courts, submitters and appellants, or council costs before the 2006/07 financial year (proposed plan notified May 2007).
- some water bodies are over-allocated. This impacts on the ability of permit holders to take the water their consent entitles them to, and in places leads

to over abstraction. This creates uncertainty about the reliability of water supply and creates impediments to investment. We run the risk of expensive claw backs to bring quality and flows to acceptable levels.

- the consenting system 'locks up' water even when unused by the consent holder – up to 35% of allocated water is not used. This prevents water moving to a higher value user and limits potential for export growth. In constrained catchments, the value of a 5% improvement in efficiency for large takes is estimated at \$100.9 million (although this does not include the costs incurred in achieving the efficiency gain).
- water is not necessarily allocated to the highest value use (presently allocated on a first-in-first-served basis) and cannot always easily be transferred between uses.
- taxpayers and ratepayers bear some of the costs of poor management decisions. Approximately \$340 million in taxpayer dollars is already committed to clean-up of just eight lakes and rivers (this does not reflect additional cost to ratepayers). The costs of infrastructure to address urban water quality issues are significant and ongoing. Watercare's Central Interceptor project to address sewage overflows in central Auckland will cost \$800 million.
- the value of our fresh water resource is being diminished. Deteriorating quality is one of the factors in increasing the cost of water supply treatment, as well as impacting on stock drinking water.

24. Undertaking a suite of reforms to freshwater management in 2013 can both address immediate concern and begin to lay the groundwork for a more efficient management regime in the longer-term. This is likely to require some legislative change and regulatory reform. Signaling the freshwater management system we need in the long-term now will ensure that short-term issues are addressed in a way that is consistent with the longer-term game.

A successful water reform outcome

25. A water reform strategy will need to implement changes that, over time, create headroom for economic growth and provide for environmental, social and cultural values. This requires:

- ensuring that freshwater is used sustainably and in a way that maximises the overall value of the resource
- ensuring that water is clean enough to sustain life and that the overall water quality across the country is maintained or improved
- maintaining and building on the value of our natural capital and the competitive advantage that our fresh water gives us internationally
- recognising the social, cultural, environmental and economic impact of decisions
- water bodies providing for national, local and tangata whenua values and interests.

26. Achieving success in water reform will mean that there is a stable consensus (within reasonable expectations) in each region on what good water management means and what it has been agreed will be achieved. This will be translated through plans into clear rules and limits, implemented through efficient processes and encouraged and, where necessary, enforced through cost-effective monitoring and reporting arrangements. This will have a wide range of benefits:

- Enabling water to move to the highest value use/user over time which supports innovation, productivity improvements and economic growth.
- Providing land and water users with greater certainty and security about their entitlements should lead to better management decisions and encourage higher levels of investment in the resource and new infrastructure. It will also reduce costs associated with defending entitlements and challenging consents through courts.
- More certainty for Māori about their ability to access water for cultural and economic purposes rather than individual iwi seeking this certainty through other means, such as Treaty settlements.
- Ensuring the life supporting capacity of rivers and lakes is safeguarded and that they are safe for recreation.
- More stakeholder influence over finding the balance, at the local scale, between economic growth and environmental outcomes. Communities are also more likely to support water infrastructure development if the effects can be well managed.
- Reduced risk of clean-up and claw-back costs relating to over-allocation of water takes and discharges.
- A robust process to set limits and objectives in plans, saving years of delay and millions of dollars of costs at consenting stage. Added to this a clear national framework for objective setting will ensure a consistent approach to setting objectives and limits for water bodies and efficient use of available information.

Implementing a water reform strategy

27. Water reform will take time. Improving water management is complex and requires a response that can develop and adapt as it progresses and as we understand better the wider impact of different elements. We recommend that we start this work in the short-term by:

- a. **considering** a package of proposals for the implementation of a water reform strategy that includes governance, setting objectives and limits, managing within limits (quality and quantity) and that addresses Māori/iwi rights and interests in water. We will bring papers to EGI on 28 November 2012 to outline the core policy elements.
- b. **undertaking** public consultation on the overall strategy for implementing a water reform strategy, through a discussion document as early as possible in 2013.
- c. **confirming** how we want to implement a water reform strategy.

- d. **implementing** a series of changes (to guidance, regulation and legislation) in 2013. Any legislative changes would be part of the Resource Management Bill proposed for mid 2013.
- e. **signalling** further decisions that will be needed in coming years and how we will ensure the strategy can adapt to remain effective over time.

28. This approach will set the direction for ongoing water reform, establish the foundations for issues that need longer-term solutions, and address those problems which can be solved in the short-term. This latter issue includes addressing the immediate concern we have around transparency in how regions set objectives and limits.

Addressing our immediate concerns

29. There are a number of ways in which straightforward guidance, regulations and legislative changes beginning in 2013 can address concern around limit-setting by councils and the impact that these can have on land users. This will also set the foundation for implementing solutions a wider range of issues. Potential changes will be highlighted in papers over the next few weeks and include:

- current and potential options for central government intervention in regional planning/governance that allow for government to intervene if they are concerned that regions will set objectives, limits and/or adjustment times that unduly prohibit growth
- a national objectives framework, a matrix of values-based objectives supported where possible by science-based numeric values that may be adopted for a water-body, to provide consistency and transparency regarding the stringency of limits for water quality
- guidance and direction for regional councils in developing their freshwater information base and running a good objective and limit setting process, including the need for an iterative process that takes into account the impacts of different choices for objectives, limits and adjustment times before final decisions are made
- alternative statutory processes for plan development and decision-making which improve planning outcomes at the front-end, reduce the role of the Environment Court in water management decisions, and provide greater clarity and certainty on the role and interests of iwi in freshwater management.

30. In addition to these, the Minister for the Environment will be looking at section 32 of the Resource Management Act 1991 as part of resource management reform. Section 32 requires that any plan, plan change, or national instrument be assessed for efficiency and effectiveness. This work will look at improving the rigour of regional cost-benefit analysis and the information base, and ensure economic considerations are taken into account in limit-setting.

31. Officials are working on a series of studies (with several regional councils) to improve information on the economic and environmental impacts of setting water quality and quantity limits. The study outputs will inform the decisions we need to make over the next year. It will also be useful at a regional level – to facilitate more informed community and stakeholder conversations on environmental and

economic tradeoffs, managing the transition, and so improve regional council decision making.

32. There will still be gaps in information, including on existing economic activity, cost of contaminant mitigation methods, and the economic and environmental impacts and tradeoffs – at firm, catchment and regional levels – which will need development over a number of years to address. An adaptive reform process will allow us to respond to this information as it becomes available.

Implementing a strategy for water reform – core policy elements

33. As well as addressing the immediate concern above, effective water reform will need to include policies with a longer term focus. These will be most effective if they capitalise and build on the Forum’s consensus. They will also need to be co-ordinated with the resource management reforms. A full package of water reform will need to cover governance, setting objectives and limits and managing to limits. An illustration of what this could look like and what it would achieve is in the table below. Further detail and advice on each element, including further options, will be provided in the upcoming papers outlined in paragraph 41.

Governance	
<p>Result required:</p> <ul style="list-style-type: none"> governance mechanisms that enable communities to resolve competing values and confront trade-offs in a constructive, timely and non litigious manner planning outcomes that are durable, robust, and address practical implications. clear roles, functions and responsibilities for local government, iwi/Māori, stakeholders and the public effective central government reserve powers governance processes that provide resource users with greater certainty and security about their entitlements. 	<p>Potential components of reform:</p> <ul style="list-style-type: none"> capacity building and guidance for plan development and decision-making central government involvement or assistance with plan development (e.g. review of economic impact analyses, centralised technical support unit) new statutory time-bound processes for plan development and decision-making have a clear role for a collaborative group and that provide for independent experts clear role for iwi in freshwater management and decision-making restriction of rights to appeal plan decisions appropriate mechanisms available for central intervention in regional planning and governance.
Objectives and Limits	
<p>Result required:</p> <ul style="list-style-type: none"> objectives are set for all waterways that reflect the values of communities, iwi and resource users limits and timeframes for achieving these objectives are also set the impacts of the objectives, limits and adjustment timeframes are well understood a clear and useful picture of progress against objectives and limits will be available at national and local levels 	<p>Potential components of reform:</p> <ul style="list-style-type: none"> a national objectives framework that supports consistent and efficient setting of objectives for achieving regionally determined outcomes. national processes, methods and toolkits for objective and limit setting national expectations for monitoring and reporting against objectives and limits a limited number of national bottom-line objectives to apply to all freshwater bodies national expectations for the management of outstanding water bodies and/or wetlands

<p>Managing to limits – quality and quantity</p>	
<p>Results required:</p> <ul style="list-style-type: none"> • regional councils, stakeholders and water users will know what represents good practice and have the tools available to appropriately manage their freshwater resources • legacy water quality issues will be addressed, and any areas of over-allocation (quality) will be on a feasible and acceptable path to resolution • water is allocated within limits and is allocated and used efficiently over time • competing uses for the resource available within limits are dealt with effectively, transparently and equitably • users have clarity and certainty about their entitlements • the allocation regime is easy and cost effective to access and manage, and is able to adapt to differences between catchments and changes to limits over time • any areas of over allocation are identified and a feasible and acceptable path to resolution put in place • water can move easily to higher-value uses over time 	<p>Potential components of reform:</p> <ul style="list-style-type: none"> • guidance for cost effective integrated water quality management, accounting for all types of discharge, choice of policy tools and methods, use of models • development and use of Good Management Practice toolkits • capacity building for decision makers, including capacity building and guidance for efficient allocation and addressing over-allocation • policy methods and tools that are fit-for-purpose • water research aligned to deliver priority information to underpin water management decisions • standardised approaches to accounting for all types of take and specifying entitlements to take water • simplifying transfer mechanisms • tools that are able to deal with scarcity and ensure efficient allocation and use

34. In practice, a water reform package would involve **support and guidance** material for councils on a range of topics (including capability building, information and models, and managing plan development and legacy issues), **changes to statutory powers** to allow alternative planning processes and widen the available policy toolkit, and **national direction** e.g. on objectives, expectations, processes, and signals for how reforms could address complex issues such as dealing with over-allocation.

35. Reform in each of these elements can be modified and, where required, staged. This can be done through adjusting:

- a. what change involves e.g. the mix of guidance, support, enabling and direction involved
- b. how far each tool is taken and the extent of change
- c. when each tool it is introduced and how fast it is rolled out e.g. is change implemented now, signalled now for later implementation, or flagged for consideration at a later date.

36. While some of the changes that may be required are expected to be contentious many of them are straightforward and expected to have wide support. Those likely to be the most contentious include, the extent of appeal rights, management of over-allocation of both quality or quantity, allocation of discharge allowances, the role of pricing instruments, and permit duration and allocation on expiry.
37. A strategic approach to the implementation of water reform provides the ability to manage changes that are needed in a way that optimises the short and long term outcomes and allows for contentious issues to be addressed in a staged manner. We can maximise the immediate return available from the relatively straightforward changes possible around improving governance and planning processes and providing a national objectives framework (including those that address immediate concern). At the same time we can minimise the potential costs of changes to allocation mechanisms, through making foundation changes now, and indicating the direction of more difficult changes in the future, allowing for a longer adjustment phase. These changes could be targeted to those regions where the greatest pressures are, or piloted in some areas before being rolled out further.

Cabinet consideration over the next few weeks

38. Over the next few weeks we will provide you with a series of papers covering the core policy elements needed to implement a water reform strategy. In these papers we will be looking for you to decide which proposals you wish to seek public feedback on (including solutions to the immediate concern, further concrete progress that can be made, and setting the foundations to help resolve tougher issues that require greater consideration).
39. We will come back to you in December 2012 with the components of an overall package and the development of a discussion document once you have had the opportunity to consider the elements of a water reform strategy in greater detail.
40. Some of the significant considerations in putting together a package for water reform strategy will be:
- a. **ensuring a full package** as the different elements of the package are critically dependent on each other:
 - i. the governance arrangements require effective national guidance, workable tools for setting and meeting limits, adequate information and monitoring
 - ii. even with the best tools for setting objectives and limits, the process will only work if the participants are confident that the governance arrangements will protect their interests while delivering the overall goals.
 - b. **how far to go and how fast:** challenges are:
 - i. whether a more comprehensive initial approach will manage risks, by signalling all avenues are being addressed, or undermine potential for more managed change. Opportunities for water reform are infrequent, and change will have a significant time lag, so signalling the directions (e.g. additional allocation and pricing tools) is a critical first step for which an opportunity now exists.

- ii. how far to take each of the measures that are included; i.e. how prescriptive central direction should be and how much potential for intervention needs to be built in and signalled
 - iii. specifically how to signal the identification and management of over-allocation for quantity or quality; e.g. the length of adjustment period under various circumstances, the pathway to sustainable limits and the sharing of costs.
- c. **Māori rights and interests:** the extent to which these will be addressed in a water reform package, and the timing around this.

41. In December 2012 we will bring together the package of proposals for the strategy, provide an overview of how iwi rights and interests may be considered and guide the preparation of the discussion document. In early 2013 we will seek agreement to release a discussion document and the process for consultation to enable final decision-making on implementing the strategy in April 2013 to link with the timing for decisions on a Resource Management Bill.

Consultation

42. The following agencies have been consulted in the development of this paper: The Treasury; State Services Commission; Ministry of Business, Innovation and Employment; Department of Conservation; Office of Treaty Settlements; Te Puni Kōkiri; Department of Internal Affairs; Ministry of Health. The Department of Prime Minister and Cabinet was informed.
43. We recommend that once Cabinet has considered a package of proposals for implementing a water reform strategy that we take these out for public consultation early next year. This will allow us to consider feedback from the consultation and be in a position to make decisions in time for any legislative changes to feed into the Resource Management Bill proposed for mid 2013.
44. Note that it will be important to align any public consultation on implementing a water reform strategy with consultation undertaken on wider changes in the resource management system.
45. A discussion document in early 2013 would:
- a. allow us to maintain the momentum created by the Forum and its reports
 - b. provide the opportunity for us to engage with the wider community (acknowledging the role the Forum and Iwi Leaders Group have played in creating potential solutions)
 - c. raise and seek feedback on issues that have not been addressed by the Forum or where it did not reach consensus
 - d. fulfil previous Cabinet commitments of intent to consult with Māori prior to making final decisions on water reform [EGI Min (09) 20/6 refers].

46. Officials will undertake further discussions with iwi advisors on matters being proposed in papers to be considered on 28 November 2012 that are consistent with the provisions of the communication and information exchange protocol.

Financial Implications

47. There are no financial implications arising directly from this paper. Some of the elements of a future package might have financial implications.

Human Rights

48. The proposals are consistent with the Human Rights Act 1993.

Legislative Implications and Regulatory Impact Analysis

49. There are no direct legislative implications arising directly from this paper. Some of the elements of a future package are highly likely to have legislative implications. No Regulatory Impact Statement has been prepared as this paper does not propose any decisions be made at this time.

Publicity

50. The companion Land and Water Forum paper sets out a plan for the release of the Forum's report. Statements by the government should focus on the success of the Forum process and not the government's response.

51. Subsequent publicity will be needed on how the government proposes to respond. A key factor in the timing for that announcement is the meeting of the Iwi Chairs Forum on 6 December. [

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concrete commitment and timeframe to engage with Māori on an implementation strategy will therefore be important to maintain positive iwi engagement.

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Recommendations

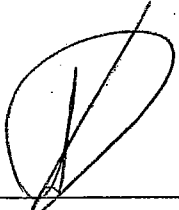
53. The Minister for Primary Industries and the Minister for the Environment recommend that the Committee:

1. **note** that, building on the current constituency for change, we have a unique opportunity to deliver significant reform to our water management system that will improve both economic and environmental outcomes
2. **note** that this paper should be considered alongside a parallel paper which reports back on the Land and Water Forum's (the Forum) third report "Managing Water Quality and Allocating Water" and describes the

opportunity provided through this constituency for progressing the water reform programme

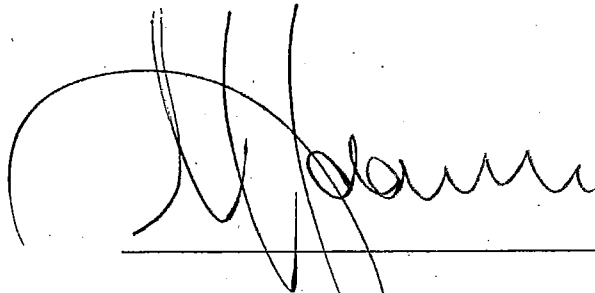
3. **note** that the success of water reform depends on covering all areas of a water management system: governance and decision-making arrangements for freshwater management, setting objectives and limits for resource use, and tools and processes for managing to these limits for both water quality and quantity
4. **note** that progressing water reform will require an adaptive process with decisions in the short and long term and our proposed approach is to:
 - 4.1 consider a package of proposals for the implementation of a water reform strategy this year
 - 4.2 undertake public consultation on these in early 2013
 - 4.3 confirm how to implement the water reform strategy following feedback by April 2013
 - 4.4 implement a series of changes (to guidance, regulation and legislation) in mid 2013 to link with RMA legislative reforms
 - 4.5 signal further reforms that will be needed in coming years.
5. **note** the Minister for Primary Industries and the Minister for the Environment will bring a set of papers to EGI on Wednesday 28 November covering the core policy elements of water reform implementation: governance, objective and limit-setting, and managing within limits (water quality and quantity)
6. **note** that officials are undertaking economic analysis to inform decisions on the water reform strategy over the coming year and to improve community conversations on environment and economy tradeoffs at a regional scale
7. **agree in principle** that Government consult, through a discussion document in early 2013, on proposals to implement a water reform strategy that includes reforms to governance, setting objectives and limits, and managing limits for both quality and quantity
8. **note** that the Forum's reports provide a platform for significant reform and that the discussion document is likely to be broadly consistent with the policy intentions of the Forum's recommendations but not the same in all respects
9. **invite** the Minister for Primary Industries and the Minister for the Environment to:
 - 9.1 report to Cabinet in December 2012 with a package of proposals for the water reform strategy, provide an overview of how iwi rights and interests may be considered and guide the preparation of a discussion document
 - 9.2 report to Cabinet in early 2013 seeking approval for the release of a public discussion document on water reform in February 2013.

10. **Agree** that, before 6 December 2012, the Minister for Primary Industries and the Minister for the Environment determine publicity for, and communicate as required, the intention to consult on the government's strategy for water reform, subject to EGI considerations on 28 November.



Hon David Carter
Minister for Primary Industries

8 / 11 / 2012



Hon Amy Adams
Minister for the Environment

8 / 11 / 12

Annex A: WATER REFORM – Schedule of Cabinet papers

