

Retreat! Critical year ahead for climate change adaptation

Infrastructure Series: What's on the horizon?

Article 2

2022 has been significant in the development of Aotearoa's response to climate change. While much focus has continued to be on emissions reduction, the adaptation side of the equation has also received increased attention with the release of the first national adaptation plan in August. Unfortunately, 2022 was also the year that climate change transformed from a future possibility to current reality for many across the globe; extreme weather events have contributed further to the calls for economies to adapt rapidly and comprehensively.

The momentum on adaptation will continue into 2023. An important pillar of Aotearoa's adaptation strategy is the development of a framework for managed retreat, which relates to the strategic relocation of assets and infrastructure away from intolerable risk. The Government proposes to introduce the Climate Adaptation Act (CAA) next year as part of the broader resource management system reform (see more on this [here](#)). The CAA will set out the tools and processes to plan and implement retreats, and aims to address the complex policy and funding issues associated with retreat.

While the Government consulted on the early development of a managed retreat system earlier this year, the policy details released so far have been limited, and critical issues such as how risk will be allocated between parts of society and how affected parties will be compensated remain to be decided. The importance of getting the framework right cannot be overstated. It is estimated that approximately \$145 billion of assets in Aotearoa are at risk from climate change. Obviously, there are major risks for individuals and government, but also for infrastructure owners, operators, funders and insurers (including in relation to "insurance retreat").

How any managed retreat framework applies to infrastructure will be particularly important as:

- Some infrastructure by its nature needs to be located in coastal areas, including ports and the infrastructure that supports them.
- Some parts of infrastructure networks (either existing or new) are appropriately located in hazard areas.

It will be important that the CAA framework (and the linkages into the resource management system) address both of these issues.

So, what do we know so far? Key points include:

- Any managed retreat system will need to keep Te Tiriti o Waitangi considerations central, particularly given that culturally significant whenua and taonga is situated near (or on) the coast.
- Central government will not bear all the costs, but costs will be spread across asset owners, insurers, banks, local government, and central government. Some adaptation costs could be met through the Climate Emergency Response Fund, which is capitalised through proceeds from the Emissions Trading Scheme.
- The legislation will aim to minimise incentives to develop in at-risk areas. For example, the Government is considering whether the approach should differ depending on how visible the risks were at the time the property in question was purchased.
- Some aspects of retreat, such as long-term planning decisions, will be covered by the proposed Natural and Built Environments Act and Spatial Planning Act rather than the CAA. These three pieces of legislation will need to work together to set out a clear process for retreat.
- On the basis of current high-level proposals, a managed retreat process could be triggered in a number of ways (for example, as a result of a natural hazard or community engagement arising out of a regional risk assessment). This would be followed by the retreat itself, which could include matters such as planning changes, developing new areas to retreat to, investment in new infrastructure, property transfer agreements, active relocation, and clean-up and repurposing of the area retreated from.
- It is not yet clear what circumstances will lead to the initiation of a retreat process. Submitters on the draft framework have called for a clear definition of “intolerable risk” and have indicated that insurability should be a key factor in initiating retreat.

- While the framework responds principally to climate risks, it is likely to apply to a broader range of natural hazards. This will hopefully avoid the need to first determine whether a particular hazard is the result of climate change.

Given the risks involved and the tight timeframe proposed for the introduction of legislation, interested parties should keep a close eye on the process and take opportunities for engagement as they arise, including through the select committee process once legislation is introduced. Those required to report under the upcoming mandatory climate-related disclosures regime should also ensure that their risk assessment processes consider matters arising out of the reform.

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