

Preface

People of New Zealand enjoy a very good environmental quality of life, with low air pollution and easy access to nature. The natural environment is a key economic asset. The country's land, freshwater and seas provide the basis for internationally competitive agriculture, forestry and fishery sectors. Despite its remoteness, millions of tourists visit the country every year, attracted by its pristine wilderness and spectacular landscapes.

This third *OECD Environmental Performance Review of New Zealand* acknowledges that New Zealand has strengthened policy co-ordination and environmental management and leads the international research effort to reduce greenhouse gas (GHG) emissions and water pollution from agriculture. It has made greater use of market-based instruments to put a price on environmental "bads" such as GHG emissions and landfilled waste, although the use of energy and road vehicles is taxed at relatively low levels.

New Zealand's growth model, however, has started to show its environmental limits, with increased GHG emissions, freshwater contamination and threats to biodiversity. Addressing GHG emissions from agriculture, and especially from dairy farming, should remain a priority if the country is to achieve its 2030 climate mitigation target under the Paris Agreement. The *Review* identifies the need to further explore the economic opportunities that more sustainable resources use could yield. Developing a long-term vision for a transition towards a low-carbon, greener economy would help New Zealand defend the "green" reputation it has acquired at international level.

The *Review* pays special attention to water resources management and sustainable urban development. New Zealand has reformed its national freshwater policy and the *Review* welcomes this fundamental step towards safeguarding water quality and availability. However, the management of diffuse nutrient pollution from pastoral agriculture remains a significant environmental challenge, as it is with most countries. Speeding up the implementation of the freshwater policy would help reduce investment uncertainty and the risk of further pressure on freshwater resources and ecosystems. New Zealand has pioneered the use of a water quality cap-and-trade market in one catchment. This can provide useful lessons to other countries. But it remains an exception and the *Review* suggests broadening the use of economic instruments to encourage water-use efficiency and pollution reduction.

While New Zealand cities are green and environmental quality is good, population growth and urban expansion are posing increasing pressures on housing, transport, waste and water infrastructure. Private cars are by far the dominant mode of transport and congestion levels are high. The challenge for Auckland – which is home to a third of the country's population – and other fast-growing cities is to accommodate a larger population while avoiding unsustainable urban expansion. According to the *Review*, this will require addressing the current institutional fragmentation, a complex urban planning system and misalignment of land-use, transport and infrastructure decisions. Using pricing instruments

such as road tolls, congestion charges and water tariffs will help local governments finance investment in much-needed infrastructure and services, while encouraging more efficient use of resources and land, and containing urban sprawl.

This *Review* is the result of a constructive policy dialogue between New Zealand and the other members of the OECD Working Party on Environmental Performance. It provides 50 recommendations to help New Zealand green its economy and improve its environmental governance and management. I am confident that this collaborative effort will also provide other OECD Members and Partner countries with insights on how to deliver solid economic growth in a way that protects their environmental asset base.



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