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Chair  
Environmental Protection Authority  
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Dear Kerry

## Letter of Expectations for the 2018/19 financial year

1. Associate Minister Eugenie Sage and I are writing to convey our expectations of the Environmental Protection Authority (EPA) for the 2018/19 financial year. This letter is intended to aid the EPA Board with its strategic planning.
2. We want to acknowledge the hard work you and your Board colleagues have done over the years, from the EPA's establishment to setting it on the path to becoming a more strategic and proactive regulator.
3. We note that the EPA Board is expected to undergo changes to its leadership and members in the new financial year. Through these changes, we expect that the Board and EPA staff continues to smoothly deliver on our strategic directions and expectations set out in this letter.

## Context and Government-wide priorities

4. The Government intends to increase the number of functions of the EPA in the future. These changes will require working closely with the Ministry for the Environment (the Ministry) to help realise them in the medium-term, while working towards more immediate milestones of achievement in the new financial year.
5. In regards to a new Statement of Intent, we would like development and delivery of this to be deferred to the 2019 calendar year. This will give the new incoming EPA Board Chair and members time to adjust to the new operating context and a fresh start in developing a refreshed strategic plan for the medium-term. We note that the current EPA Statement of Intent covers 2016-2020 and still remains relevant.

## Our high-level priorities for the EPA

*Attaining financial sustainability is a key goal for the EPA*

6. We are particularly interested in ensuring that the EPA is run in the most efficient and financially sustainable way possible. We note the EPA has been working closely with the Ministry to prepare its Budget Initiative Proposals for Budget 18, in order to address the funding issues you have raised with us.
7. Regardless of the final funding decisions from Budget 18, we expect that the EPA will continue to build and maintain a high level of financial capability, with the goal of achieving financial sustainability. The EPA needs to develop clear ways of telling a more transparent and robust story of its overall expense profile, connecting the levels of investment to its services and to how its work has an impact on environmental outcomes.

### *Progressing work on cost recovery*

8. Progressing a programme of work to revise cost recovery levels under the Hazardous Substances and New Organisms Act 1996 (HSNO Act), and in the medium-term, across the other EPA legislative functions, should go some way to supporting a more financially sustainable organisation. We expect the EPA to work with the Ministry to explore and progress the relevant regulatory reforms required to undertake further cost recovery changes where appropriate to do so. We also expect the EPA to regularly review the fees it charges for cost recovery purposes, to ensure that future changes are more predictable for your customers.
9. We would like to draw the EPA's attention to the Treasury's updated guidance on cost recovery, *Guidelines for Setting Charges in the Public Sector*. We expect that the EPA will adopt and adhere to an "open book" approach with its cost recovery practices. Doing so will help ensure transparency and maintain stakeholder confidence in how the EPA's fees are set, reviewed, changed and benchmarked.

### *Providing a trusted and reliable customer experience*

10. We are pleased to see that the EPA understands the importance of maintaining the trust and confidence of its customers and the wider public when undertaking its work. We would like to see regular updates and reporting on the positive experiences customers and stakeholders have had with the EPA's services.
11. Additionally, we commend the EPA for keeping tikanga Māori integrated throughout its business and decision-making processes under the He Whetū Mārama Framework. We look forward to hearing about further achievements of how EPA staff are applying Mātauranga Māori to their work and supporting effective engagement to benefit all stakeholders.

### *Demonstrating the EPA's contribution to positive environmental outcomes and protection*

12. We note that the EPA has been accumulating data and evidence to demonstrate the value of its work in contributing to a more prosperous economy, while also protecting the environment and people from adverse effects. We recognise that demonstrating the effectiveness of the EPA's activities on the environment is a long-term process, and the impacts may be relatively diffuse. We would like the EPA to continue building and maintaining a base of evidence to demonstrate how its business effectively supports a positive environmental performance story focused on environmental outcomes and protection.

### **Operational Expectations**

13. The following expectations relate to the specific legislative functions the EPA performs. We expect that the EPA will continue to play an active role in contributing its operational experience to policy development led by the Ministry and other key partners like WorkSafe NZ and the Ministry of Business, Innovation and Employment.

### *Hazardous Substances and New Organisms – Reassessments, Enforcement, and Chemical Modernisation*

14. We acknowledge how important it is that the EPA be able to run and maintain a work programme on chemical reassessments, and we note that there has been a Budget Initiative Proposal submitted to increase activity in this area. In the event that additional Crown funding is not granted, we encourage the EPA to continue to find ways to find efficiencies in its business to help support reassessments without compromising other core statutory functions.
15. We congratulate the EPA on working with WorkSafe, MBIE and the Ministry in implementing the new regulations under the Working Safer Reforms in a timely manner last year. We expect to see the EPA taking the lead in enforcing the HSNO Act,

proactively working with key agencies including local territorial authorities and regional councils to provide co-ordinated and prompt responses to HSNO incidents.

16. Thank you for informing us in your Briefing to Incoming Ministers on the EPA's priority to modernise New Zealand's chemical management system to protect the environment and health of people. Undertaking this ambitious task will require working with others.

#### *New Organisms*

17. The regulatory and policy work on new organisms is a politically contentious area with high public interest. We appreciate the EPA's suggestion that it facilitate public debate on new biotechnologies. However, we would like to clarify that it is strictly the role of the Ministry to facilitate and lead any public discussions and undertake policy work on biotechnology. Maintaining this separation of roles and responsibilities protects the EPA's role as an independent and unbiased regulator. We expect the EPA to continue its new organisms regulatory duties, supporting the interagency working group on new organisms convened by the Ministry, and providing technical assistance where required.

#### *Implementing RMA amendments*

18. The Government recognises the important role of the EPA as the national environmental regulator, and intends to increase its mandate and number of functions. The EPA will need to be prepared to take on any new functions it may gain in the future. These potentially include: increasing the responsibilities of the EPA in administering the Boards of Inquiry process for Nationally Significant Proposals; and reviewing other Ministerial decision-making powers to determine which can be transferred to the EPA. Not all new functions may necessarily be accompanied by dedicated Crown funding. We expect the EPA to work closely with the Ministry to advise on resourcing options, particularly if they are of a large operational scope.
19. We note that under the Resource Legislation Amendment Act, publicly-notified marine consent applications (with the exception of publicly-notified discharge and dumping consents) will now be decided by independent Boards of Inquiry. We expect the EPA to manage a robust process for this new function, and to work with the Ministry on the appointments process for any incoming Boards of Inquiry for marine consents.

#### *Exclusive Economic Zone functions*

20. Thank you for raising the issues with us on undertaking the regulatory and decision-making duties under Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act). We encourage the EPA to continue finding operational efficiencies in its decision-making processes, and exploring opportunities with the Ministry for new cost recovery solutions. Continuing this work should help strengthen the EPA's position in securing more permanent funding for the EPA's EEZ Act functions.
21. We invite you to arrange a meeting with us at any stage if you wish to discuss our expectations for the EPA.

Yours sincerely



Hon David Parker

**Minister for the Environment**



Hon Eugenie Sage

**Associate Minister for the Environment**

