

**Submission
No 123**

**INQUIRY INTO PLANNING SYSTEM AND THE IMPACTS
OF CLIMATE CHANGE ON THE ENVIRONMENT AND
COMMUNITIES**

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PORTFOLIO COMMITTEE NO. 7 – PLANNING AND ENVIRONMENT

Allianz submission to Inquiry into the planning system and the impacts of climate change on the environment and communities

Allianz Australia (**Allianz**) welcomes the opportunity to comment on the NSW Government's Inquiry into the planning system and the impacts of climate change on the environment and communities. Allianz provides general insurance cover to 3.5 million customers Australia-wide, including home, motor, small business, workers compensation and travel insurance. Sustainability is an important pillar of the Allianz business both globally and locally.

Climate change has led to increased occurrences of extreme weather events, rising sea levels, and changing landscapes, making it crucial for planning systems to adapt and better protect communities and ecosystems. Combined with economic uncertainties the risk profile of Australian communities is changing. As an insurer, Allianz sees first-hand how inappropriate planning decisions can put communities at risk. It is clear that immediate action needs to be taken to understand and prepare for the increasing impacts of climate change, particularly in high risk areas.

Effective land planning is critical to reducing the risk of harm to Australian homes. Insurance companies price the risk of an event occurring at a property level each year, and it is now well documented that increased premiums are leading to insurance affordability issues in certain parts of NSW. The lack of affordability of home insurance is most acute for homeowners that have a medium to high flood risk.

This submission discusses key strategies and considerations to enhance the planning system's ability to mitigate climate change impacts and help protect our communities and the environment. In particular, suggestions aimed at making the built environment more resilient and adapted to extreme weather events in the future, particularly where there is an increase in the frequency and/or severity of events. As indicated, flood risk is the main driver of lack of affordability of home insurance in NSW. Changes to planning systems can mitigate against making the property flood risk problem worse, however, NSW has a large legacy issue arising from past planning and development decisions. While home insurance is available for all properties in NSW, large numbers of homeowners with flood risks do not have flood insurance because the price of cover is prohibitive. Flood premiums for an average house can exceed \$40,000.

At present, only a few insurers, of which Allianz is one, offers optional flood cover, so that homeowners that can't afford flood insurance can still obtain home insurance against the other risks they face (eg fire, hail, storm, earthquake, burglary). The large scale flooding events in NSW and other States in 2022 has raised questions about the sustainability of the optional flood cover home insurance product from a commercial and reputation perspective. As a result, Allianz is currently reviewing its optional flood cover product. Not allowing customers with high flood risk to opt out of flood cover will exacerbate issues of affordability and accessibility of home insurance. This highlights the impact on home insurance affordability from NSW Government insurance taxes, where the combination of Stamp Duty and Emergency Services Levy adds circa 30% to the cost of home insurance, and around 50% or

more to the cost of commercial property insurance. Increased extreme weather events arising from climate change will increase insurance premiums so, regardless of planning system changes, high levels of taxation will further exacerbate problems with the accessibility and affordability of property insurance.

Response to Terms of Reference

That Portfolio Committee 7 inquire into and report on how the planning system can best ensure that people and the natural and built environment are protected from climate change impacts and changing landscapes, and in particular:

(a) developments proposed or approved:

- (i) in flood and fire prone areas or areas that have become more exposed to natural disasters as a result of climate change,
- (ii) in areas that are vulnerable to rising sea levels, coastal erosion or drought conditions as a result of climate change, and
- (iii) in areas that are threatened ecological communities or habitat for threatened species.

Land use planning development controls, mitigation, adaptation, and robust building standards are all critical elements to ensure that all Australians have access to affordable home insurance.

The insurance industry has long called for comprehensive measures to help mitigate against the risk of extreme weather events. The cost of home insurance is directly related to the risk of loss faced by a property and in many cases, the cost and frequency of that loss comes down to how exposed the property is to extreme weather events (particularly, riverine flood, bushfire and storm surge) and how well the property is protected from the effects of such events.

There are a range of measures that can be taken to reduce homeowners' vulnerability to loss from climate-related events. Measures include:

- adaption (eg upgrading the resilience of buildings);
- mitigation (eg flood levies);
- land use planning (eg preventing development on flood prone land);
- development controls (eg building height standards in flood areas); and
- building standards (eg more resilient structures).

Further recommendations for specific exposures are outlined below.

In flood prone areas, incorporating climate change risk and resilience in development assessments by considering flood risks and adopting floodplain management strategies is essential to avoid homes and businesses being placed in harm's way. Other strategies include ensuring new developments meet higher standards for flood protection and resilience, and promoting sustainable drainage systems and green infrastructure (such as urban forests, rain gardens and permeable pavements) to reduce surface water runoff and improve flood management. Government can also encourage community engagement and education to help prepare and inform residents about flood risks and mitigation measures.

In fire prone areas, developing and enforcing stringent building codes that mandate fire-resistant materials such as fire-rated doors and glass, fire-resistant roofing materials and exterior cladding, and establishing defensible space regulations to minimise the risk of bushfires spreading to residential areas is vital. Also, enhancing early warning systems, evacuation plans and other preparedness initiatives in collaboration with emergency services and local councils at a community level.

In areas that are vulnerable to rising sea levels and coastal erosion, it is recommended that setback regulations are reviewed in light of climate change impacts to limit development in

areas prone to coastal erosion and sea-level rise. Investing in coastal protection infrastructure, such as seawalls, beach nourishment and managed retreat strategies, as well as encouraging natural and nature-based solutions, such as dune restoration and wetland preservation can be implemented to mitigate coastal erosion.

Developing water conservation and drought management plans, including water-use restrictions and incentives for efficient water consumption are vital in drought prone areas of NSW. As drought impacts can be very widespread, investing in alternative water sources, such as desalination and wastewater recycling can bolster water supply resilience. As can promoting the use of drought-resistant landscaping and establishing efficient irrigation systems.

Improving and protecting our natural resources is increasingly being recognised as critical to reducing the impacts of climate change. In areas with threatened ecological communities or habitat for threatened species, the need for comprehensive ecological assessments before approving development projects in sensitive areas should be reviewed in light of potential climate change impacts. Identifying and designating protected areas for critical ecosystems and habitats, and fostering collaboration between developers, environmental organisations, and government agencies to promote habitat preservation and restoration should be prioritised.

(b) the adequacy of planning powers and planning bodies, particularly for local councils, to review, amend or revoke development approvals, and consider the costs, that are identified as placing people or the environment at risk as a consequence of:

- (i) the cumulative impacts of development,
- (ii) climate change and natural disasters,
- (iii) biodiversity loss, and
- (iii) rapidly changing social, economic and environmental circumstances.

Climate change, environmental degradation and socio-economic transformations necessitate robust planning systems that can adapt to evolving challenges. It is critical that planning bodies have adequate powers to address these challenges to protect communities and ecosystems. Local councils and planning bodies need to be empowered to amend or event revoke approvals if the cumulative impacts of a development exceed predefined thresholds. It is important that planning bodies have the authority to impose conditions on developments to reduce risks, such as stricter building codes, resilient infrastructure requirements, and disaster preparedness plans. To provide confidence in the planning system, planning bodies must not be permitted to reduce environmental protection or infrastructure standards during the development process.

The following strategies should be considered to uplift the current process:

- establishing comprehensive impact assessment procedures that consider the cumulative effects of development on the environment and communities;
- incorporating climate adaptation and mitigation strategies into planning guidelines and regulations;
- developing climate risk assessment tools to evaluate the vulnerability of proposed developments to climate change and natural disasters;
- enforcing strict enforcement mechanisms, including penalties for non-compliance with biodiversity protection measures;and
- considering the long-term costs and potential liabilities in cases where developments pose substantial risks.

(c) short, medium and long term planning reforms that may be necessary to ensure that communities are able to mitigate and adapt to conditions caused by changing environmental

and climatic conditions, as well as the community's expectation and need for homes, schools, hospitals and infrastructure.

Climate change poses complex challenges that demand a flexible and forward-thinking planning system. As communities face shifting environmental and climatic conditions, planning reforms must be implemented to enhance resilience and sustainable development.

Planning reforms that could be implemented include investing in retrofitting and upgrading existing infrastructure to withstand climate-related risks, in particular critical infrastructure like hospitals, power and communication lines and transport routes, updating zoning regulations to identify climate-sensitive areas prone to flooding, bushfires, and/or sea-level rise, implementing stricter land-use policies and setback requirements for developments in high-risk zones, and requiring critical infrastructure, such as hospitals and schools, to meet higher resilience standards. Also, establishing a comprehensive climate adaptation framework that integrates climate resilience and preparedness into all aspects of planning and development, prioritising resilient and energy-efficient building design, evacuation and emergency services access, habitat restoration and implementing green corridors and protected areas to enhance ecological connectivity. In addition, long-term master plans should be developed that consider changing climate patterns and anticipate future vulnerabilities, managed retreat where appropriate, careful siting of new critical infrastructure assets, and consideration of cross dependencies between infrastructure, promote sustainable transportation, and further increase energy-efficient building codes. In addition, developing policies for managing water scarcity and fostering collaboration between research institutions and local governments to stay updated on the latest climate science and adaptation practices.

[\(d\) alternative regulatory options to increase residential dwelling capacity where anticipated growth areas are no longer deemed suitable, or where existing capacity has been diminished due to the effects of climate change.](#)

Climate change is reshaping landscapes and challenging the suitability of certain areas for residential development. As NSW faces growing population demands and climate-related constraints, innovative regulatory approaches are required to adapt residential dwellings, while protecting both people and the natural environment.

Climate change may render previously designated growth areas unsuitable due to increased flood risks, bushfire hazards, and/or rising sea levels. It must be a priority for state and local governments to address the need for retrofitting existing homes and buildings, invest in climate-resilient infrastructure, such as flood defenses and stormwater management systems, and adopt adaptive measures such as managed retreat (eg through property buy-back schemes) in the most affected communities.

Other options include:

- the re-evaluation of zoning and land-use plans in light of new climate data and projections;
- providing financial incentives and expediting permit processes for developments that are sited in low natural hazard risk locations and incorporate sustainable design features, such as green roofs, solar panels, and energy-efficient construction; and
- prioritising infrastructure upgrades and adaption to accommodate changing environmental conditions.

Comprehensive planning reforms are crucial for ensuring that new communities are not placed in harms way and that existing communities can effectively mitigate and adapt to changing environmental and climatic conditions. Effective land planning is critical to reducing the risk facing Australian homes and communities and ensuring the ongoing availability and accessibility of property insurance into the future.

