

Setting



Submission

06 October 2025

TO THE Environment Select Committee

ON THE

**PCE Report: Alt-F Reset: Examining
the drivers of forestry in New Zealand**

BY

Beef + Lamb New Zealand Limited

Comment on the on the Report of the Parliamentary Commissioner for the Environment, Alt-F Reset: Examining the drivers of forestry in New Zealand

To: Environment Committee

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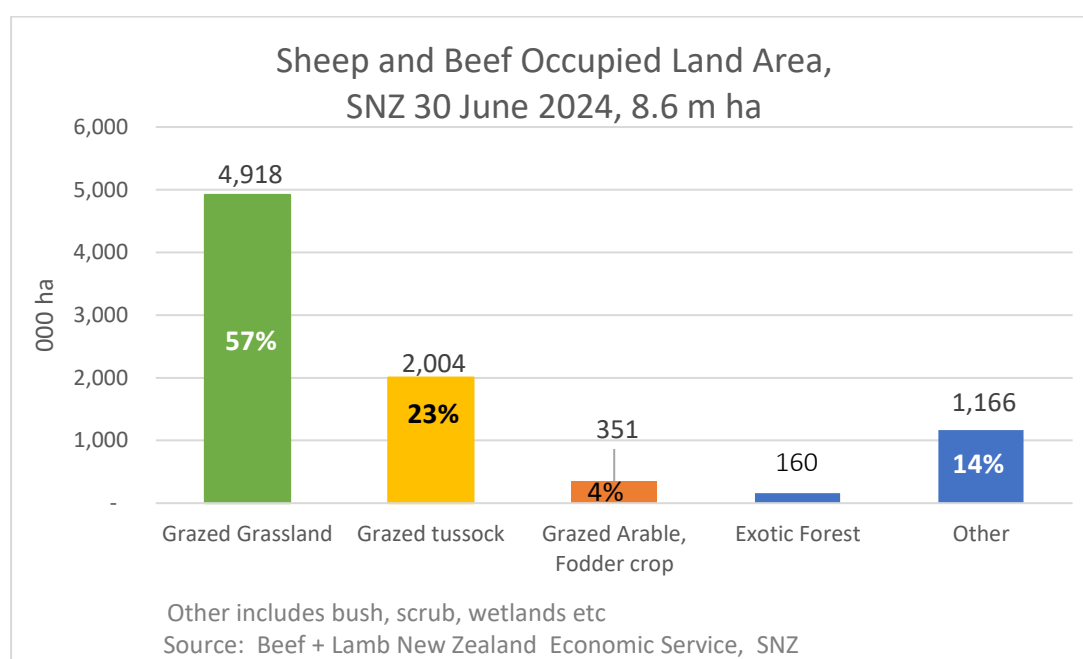
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Introduction

About Beef + Lamb New Zealand

1. B+LNZ is an industry-good body funded under the Commodity Levies Act 1990, through a levy paid on all cattle and sheep slaughtered in New Zealand (except bobby calves). B+LNZ represents around 9,200 commercial sheep and beef farms and 10,400 suppliers of dairy farm cull cattle, including both Māori and Pākehā sheep and beef levy-payers and has the mandate to submit on their behalf on matters that affect them.
2. B+LNZ is actively engaged in environmental management, with a particular emphasis on building farmers' capability and capacity to support an ethos of environmental stewardship as part of a vibrant, resilient, and profitable sector based around thriving communities. Protecting and enhancing New Zealand's natural capital and economic opportunities and the ecosystem services they provide is fundamental to the sustainability of the sector and to New Zealand's wellbeing for current and future generations.
3. The sheep and beef sector is essential to maintaining rural communities and their cultural, societal, and environmental wellbeing, as well as contributing to New Zealand's economic wellbeing. For the year ending 31 December 2024 the red meat industry contributed \$10.4 billion to New Zealand's export revenue, making the sector New Zealand's second largest goods exporter. As New Zealand's largest manufacturing sector, it supports over 92,000 jobs, 35,700 directly and an additional 56,700 indirectly employed.
4. Just under a third of New Zealand's total land area is used for sheep and beef (mixed agriculture), comprising about three quarters of pastoral lands. Our sheep and beef farmers are significant kaitiaki of New Zealand native vegetation, managing approximately 2.9 million hectares of native habitat, including 0.9 million hectares of native forest. This is the second largest holding of native forest and native biodiversity in the country and represents almost 25 percent of New Zealand's remaining native vegetation. This leaves 4.9 million hectares of the sheep and beef land area available for grassland.

Figure 1 – Sheep and Beef occupied Land Area



5. The sheep and beef sector understands the importance of keeping temperature rise within prescribed limits as critical to the wellbeing of New Zealand and the world as we currently know it. As stewards of the land and the natural resources, sheep and beef farmers are at the forefront of the impacts of climate change. Farmers are already seeing those changes and are continually adapting their management practices in response and will continue to do so in response to a changing climate.

Background

6. B+LNZ is pleased that the Environment Select committee is considering the Parliamentary Commissioner for the Environment's report "Alt-F Reset: Examining the drivers of forestry in New Zealand."
7. As the organisation representing the sheep and beef industry, a sector at the forefront of the impacts of New Zealand's current forestry policy settings, we appreciate the opportunity to provide input to this discussion.
8. Sheep and beef farmers in New Zealand have a significant interest in forestry policy settings as trees are incorporated into sheep and beef farm systems for production forestry, biodiversity, water quality, and animal health and welfare objectives.
9. It is our objective to see a thriving sheep and beef industry that supports rural communities through improved economic returns. We recognise that forestry has a part to play here, especially production forestry but consider a review of the impact of carbon forestry on our landscapes is required.
10. B+LNZ has drawn attention to the impact of the ETS on our sector through numerous reports. The Orme & Associates reports highlight the ongoing conversion of farmland to forestry, with the most recent one¹ bringing the total sheep and beef farms sold to be converted to forestry since 2017 to be over 300,000 hectares. This has caused a reduction of around 2.5 million stock units (equivalent to the annual meat consumption of 2.5 million New Zealanders) and cumulatively \$1.8 billion in lost export earnings for New Zealand. Continuing with this approach is not sustainable given its impact on lost export revenue and New Zealand's role as a global food producer.
11. Another report commissioned by B+LNZ compared New Zealand's Emissions Trading Scheme with international equivalents². This found that New Zealand's ETS settings are an outlier internationally, as the NZ ETS is the only scheme internationally (aside from Kazakhstan) that allows for 100% forestry offsetting and the only ETS to include the entire forestry sector, with all other ETS systems globally only including forestry offsets on a project-by-project basis.
12. This PCE Report is a useful and timely report that builds upon previous work done by industry bodies, NGO's, and social commentary. Its comprehensive recommendations across a range of policy areas break down silos and set a pathway forward for ensuring forestry delivers for all New Zealanders.
13. For the report to be of use, its recommendations must be actioned. This will require some challenging conversations and reflection on current drivers of forestry, particularly the ETS and New Zealand's current climate policy of allowing full offsetting of fossil fuel emissions with forestry. B+LNZ looks forward to further engagement on this issue and how the sheep and beef sector can be involved in this process.

¹ <https://beeflambnz.com/news/farm-conversions-forestry-not-slowing-down-increasing-sales-productive-land>

² <https://beeflambnz.com/sites/default/files/news-docs/ETS-summary-report-2023.pdf>

Beef + Lamb NZ's comments on the recommendations in the report: "Alt-F Reset: Examining the drivers of forestry in New Zealand."

14. B+LNZ supports the recommendations in the report, apart from Recommendation 2: "Create a separate 'biogenic' trading scheme that allows warming from biogenic methane emissions to be offset by production forestry with radiata pine and other suitable species." B+LNZ doesn't support pricing of agricultural emissions as they are already reducing in line with government targets and standing up a new system would be expensive and would create inequalities between farming systems.
15. B+LNZ supports many of the PCE's report's finding and recommendations as it recognises the interlinked nature of ETS and land use policy drivers and advocates for a strategic reset for New Zealand's forestry policy settings looking at both the ETS and wider policy settings around forestry management.
16. Right now, there is no clear and cohesive vision or objectives guiding New Zealand's use of exotic, or native, vegetation to deliver on the multiple opportunities that are clearly present. National policy settings are creating economic incentives that are driving land use change, with local communities struggling to respond.
17. Comments are provided for each recommendation below, and where recommendations are linked together, answers are also.
18. The Environment Select Committee, in its examination of the report should endorse clear actions to be taken. Given the cross-party nature of the Environment Select Committee, this is a unique opportunity to build cross party consensus and an enduring policy approach on these key issues. A critical factor in land use policy settings is the need to recognise the long horizons for investment and provide direction at a national level.
19. Sadly, the approach to date of tinkering around the edges has got us into the current state, of an ETS that is not fit for purpose and is rewarding mass afforestation of radiata pine at the expense of real action on emissions from fossil fuels.
20. The recommendations in this report go well beyond tinkering around the edges, and it is important that the significant changes required (as are recommended by the report) are durable, ongoing, and supported by a consensus.
21. Doing nothing, and deciding not to make the required changes, is a decision in itself and one that increasingly puts New Zealand in an uncomfortable position where our climate policy is out of step with our international partners and has long-term negative implications for the New Zealand economy.
22. The low hanging fruit of shifting power generation is not available to New Zealand given the already high proportion of renewables in our generation mix and therefore focus needs to be on process heat and transport. Without an ETS with high enough prices to drive behaviour change, particularly for industrial processes, market signals to drive a shift to lower carbon options is not going to happen.
23. Our current approach of failing to make inroads into reducing fossil fuel emissions by offsetting them with carbon forestry is coming under increasing pressure internationally. Given New Zealand's role in global food trade and the increasing pressures on food production from climate change, the current approach of sacrificing food production to provide additional NZUs from forestry to allow fossil fuel emitters to avoid reducing their emissions is not likely to be popular internationally.
24. There is increasing recognition globally that fossil fuel emissions, with lifespans in the thousands of years should not be offset with biogenic sequestration where permanence cannot be guaranteed.

25. New Zealand's climate policy, which is almost wholly reliant on the ETS to offset emissions through both domestic and international credits has been deemed wholly insufficient by climate action tracker, a nonprofit that provides analysis of countries' climate policies and action³.
26. The recommendations in this report address many of the outcomes of New Zealand's climate policies. They mirror B+LNZ's key concerns, and we have provided direct feedback on each recommendation below.

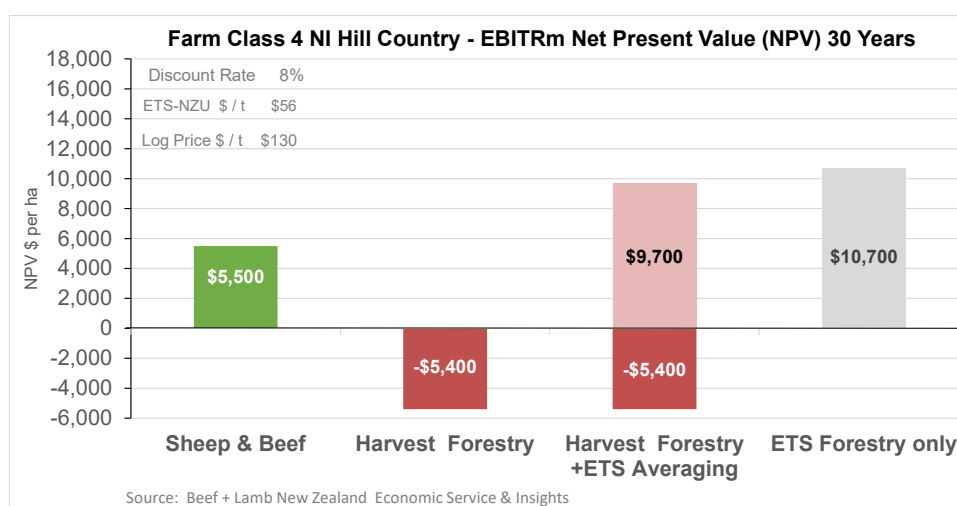
Reponses to the report's specific recommendations

1. Recommendation 1: Reform the NZ ETS to phase out forestry offsets for fossil fuel emissions.

Recommendation 1.1: Use the increased auction revenue to fund targeted and locally appropriate afforestation in areas that need it most (e.g. permanent native forests on highly erodible lands; whenua Māori).

- 1.1 B+LNZ is strongly supportive of Recommendations 1 and 1.1. While a total phase-out of forestry may not be practical (as it may still be necessary for hard to abate sectors) a fundamental review of the role of forestry in the ETS, and how forestry can be allowed for offsets, is needed.
- 1.2 It is widely acknowledged by the Climate Change Commission and PCE that the current ETS settings are a significant driver of recent afforestation, due to the significant additional returns that can be generated from carbon credits.
- 1.3 Current ETS settings have boosted the value of forestry compared to other land uses, with the PCE Report noting that at a carbon price of \$35 per tonne, forestry returns three times the value of sheep and beef, while at \$70 per tonne it would return seven times the value of sheep and beef⁴.
- 1.4 Analysis by B+LNZ also shows that sheep and beef farming returns are generally greater than returns from production only forestry and that it is the addition of the carbon price and the greater returns that can be achieved from that that has driven significant land-use change⁵. This is outlined in the graph below.

Figure 2 Returns from different land uses on class 4 North Island Hill Country over a 30- year period



³ <https://climateactiontracker.org/countries/new-zealand/targets/>

⁴ At page 144 of the Alt-F Report

⁵ [Submission Climate Change Response \(Emissions Trading Scheme Forestry Conversion\) Amendment Bill](#)

- 1.5 Prior to 2019 when the cap on the carbon price was lifted, only 6,000-7,000 hectares of sheep and beef farms were sold to forestry conversion a year. When the cap was lifted the carbon price increased and the rate of whole farm sales also rapidly increased. Between 2017 and early 2025, over 300,000 hectares of whole farms were sold for forestry conversion.
- 1.6 While the Government has recently introduced some new rules in the Forestry Conversion Bill that will restrict the amount of whole sheep and beef farmland that can be entered into the ETS, B+LNZ is concerned these restrictions do not go far enough and significant amounts of whole sheep and beef farms will continue to be purchased each year to convert into forestry driven by carbon credit returns. B+LNZ estimates under the recently revised rules that nearly 1 million hectares of sheep and beef farms will be sold for conversion into forestry between 2017 and 2050.
- 1.7 This has significant implications for the ETS and New Zealand's ability to meet its climate change goals and to the New Zealand economy.
- 1.8 The ETS as it currently operates is not achieving its objective of encouraging emitters to reduce emissions as the influx of forestry carbon credits is keeping the carbon price low enough that it is more economically efficient to purchase carbon credits than it is for polluters to reduce emissions.
- 1.9 This was noted in the Climate Commission's July 2025 Monitoring Report: Emissions Reduction at page 52 where it states: "The current structure of the NZ ETS is likely to deliver mostly forestry removals and insufficient incentives for most gross emissions reductions⁶."
- 1.10 The PCE has also recently indicated that the amount of farmland that has already been sold to convert into forestry will depress the ETS carbon price for the next couple of decades. Unless the Government takes more drastic measures to restrict forestry offsets, the carbon price will remain low well into the 2040s, minimising the incentive to reduce fossil fuel emissions.
- 1.11 In the recent consultation on the Forestry Conversion Bill, B+LNZ therefore recommended that the Government ban the entry into the ETS of all whole farm conversions. Unfortunately, this recommendation was not taken up. The current policy settings also have significant long-term negative implications for the New Zealand economy.
- 1.12 Another key issue with the ETS is that it is a domestic market, with returns to landowners coming from New Zealand emitters, rather than from exports of sheep and beef where returns come from selling product offshore and therefore grow domestic economic activity through export receipts.
- 1.13 Sale of carbon credits from forestry is effectively a transfer tax from emitters to forest owner carbon sequesters with little economic activity generated. This has important ramifications for New Zealand's export focussed economy where around 60 to 70% of exported value is created on farms, with transport plus processing add 30 to 40% export value. Overseas markets provide 100% of export value.
- 1.14 From 2017-18 to 2024-25, B+LNZ observed that new afforestation, mainly whole farms that have been sold into forestry, caused a 2.5 million reduction in livestock units (SU). During this period:
- 300,000 ha of new afforestation (NEFD⁷ 292,800 ha) resulted in
 - 3.9 million CO₂-e tonnes being sequestered.
 - Valued at \$56 per tonne, this equates to a cumulative \$218million.
 - During this period every ha afforested each year, and the following years did not contribute to the flow of livestock from the hills to downland to processing and export. The value of foregone sheep and beef exports would have totalled \$1.8 billion at a 3-year average of export receipts per ha from 2019-20 to 2021-22.

⁶ <https://www.climatecommission.govt.nz/assets/Monitoring-and-reporting/ERM-2025/CCC-5929-ERM-2025.pdf>

⁷MPI [66276-NEFD-online-tables.xlsx](#) & MPI est 2025

- 1.15 If the Government makes no further changes to its policies, B+LNZ estimates that nearly 1 million hectares of sheep and beef farmland will be converted into forestry from 2017-18 to 2050.
- Over this 33-year period 403 million tonnes of CO₂-e would be sequestered funded by an internal equivalent tax transfer from emitters to forest owner sequesters whose receipts would total \$22.6 billion at \$56 per tonne. This equates to a 33-year average of \$0.69 billion per year.
 - The counterfactual would be by 2050-51 there would be 24% fewer sheep and beef SU. From 2017-18 to 2050-51 each ha afforested would each year not generate livestock export receipts at the 3-year average price used above would result in a total of \$33.9 billion forgone export receipts. A 33-year average of \$1.03 billion per year. Also forgone would be all the attendant economic activity to generate these receipts in farming districts and downstream processing.
 - Unless there is a corresponding fall in the value of imports, a reduced inflow of overseas exchange will ultimately be expressed in a lower NZD and higher priced imports.
 - The ETS is a domestic policy that essentially transfers a tax on carbon emitters to forest owners who sequester carbon with little domestic activity. The pastoral sector in contrast exports 90 to 95% of its production and for this reason must be internationally competitive to exist. New Zealand benefits from this inflow export receipts via the foreign exchange market that provide currency for importers of goods and services. The exchange to NZD flows back through pastoral sector export processors (30 to 40%) and onto farms (60 to 70%) which all unwrite domestic economic activity.
- 1.16 B+LNZ therefore supports going back to first principles and for the Environment Select Committee to recommend a wider review of the role of forestry in the ETS.
- 1.17 New Zealand's policy settings are out of step globally. A B+LNZ commissioned report found that New Zealand's ETS is the only one in the world that allows full offsetting of fossil fuel emissions with forestry, apart from Kazakhstan. It was the only scheme internationally that includes the entire forestry sector, with all other ETS systems globally only including forestry offsets on a project-by-project basis⁸.
- 1.18 Recently the UNFCCC Methodological Expert Panel (MEP) recommended severe restrictions on forestry offsets, that would effectively rule their use out and put New Zealand's system significantly out of step with recommended best practise.
- 1.19 In summary B+LNZ supports the PCE's recommendation to phase out the use of exotic forestry offsets for fossil fuel emissions. The current ETS settings create a perverse incentive for large-scale carbon-only forestry, which undermines the viability of sheep and beef farming, distorts land values, and leads to negative social and environmental outcomes in rural communities. It also has macro-economic consequences for the whole economy. We advocate for an approach that limits the use of forestry offsets for hard-to-abate sectors only.
- 1.20 The current ETS settings allow fossil fuel emitters to indefinitely offset their emissions through exotic forestry, delaying real decarbonisation. This has led to widespread land use change, particularly on sheep and beef farms, with significant social, economic, and environmental consequences. We advocate for a gross emissions reduction target for fossil fuels, with limited and declining access to forestry offsets, in line with the Climate Change Commission's advice and international best practice.
- 1.21 Sheep and beef farmers recognise the importance of appropriate afforestation for delivering benefits such as biodiversity, water quality, and animal welfare. B+LNZ would therefore support

⁸ <https://beeflambnz.com/sites/default/files/news-docs/International-ETS-Forestry-Review.pdf>

ETS auction revenue being recycled into appropriate afforestation and for this funding to be made available for sheep and beef farmers wanting to participate in these projects.

2. Recommendation 2: Create a separate 'biogenic' trading scheme that allows warming from biogenic methane emissions to be offset by production forestry with radiata pine and other suitable species.

- 2.1 B+LNZ does not support the development of a biogenic trading scheme that allows the warming from biogenic emissions to be offset by forestry. Biogenic emissions are already tracking downwards, in line with government targets and due to actions taken by New Zealand farmers and therefore additional pricing mechanisms are not required.
- 2.2 While B+LNZ is supportive of a warming approach being taken to emissions and has advocated strongly in favour of the split gas targets that New Zealand currently has, creating a trading scheme based on this approach risks diverting resources that should be utilised in increasing the uptake of mitigation technologies by farmers. Such a scheme would relitigate issues that have already been addressed through the He Waka Eke Noa process, risks reopening old wounds, and would be counterproductive for bringing farmers on side.
- 2.3 There would also be considerable challenges and complexity with setting up a biogenic trading scheme with a high risk that it would not effectively achieve its intended outcomes. Such complexity would increase the cost associated with running such a scheme, with this money better spent on other initiatives to reduce emissions. The ETS has highlighted how a market-based scheme with constantly changing parameters can drive unintended consequences. Because of this, we do not think a new scheme, with the required financial and time investment is a sensible approach for encouraging emissions reductions in the agricultural sector.
- 2.4 Additionally, the ability of different types of farms to participate in such a scheme is varied by geography, production systems, environmental constraints, and intensity and there are therefore significant equity issues between intensive and extensive farms that could arise from a biogenic trading scheme.
- 2.5 We believe it is more critical to get the settings around the current ETS and the offsetting of carbon dioxide through forestry corrected than creating a new system for agricultural gases.
- 2.6 While B+LNZ is supportive of a warming approach being taken to biogenic emissions, rather than one that focuses on comparing short and long lived GHGs through a GWP100 metric, for the reasons above we do not support this proposal.

3. Recommendation 3: Reform the permanent forest category in the NZ ETS.

Recommendation 3.1: Require the owners of permanent forests to have a realistic long-term management plan for the forest. That should include demonstrating how they will fund the ongoing costs of maintaining the carbon stock of the forest after the forest stops earning carbon credits.

Recommendation 3.2: Create categories, and associated rules, for different types of permanent forest (exotic, native and transition). Rules should, amongst other things, cover carbon accounting for different types of forest, and set out the government's expectations of the long-term management plans (as per recommendation 3.1).

3.1 B+LNZ agrees with Recommendation 3 that the permanent forest category in the ETS requires urgent reform. The current rules incentivise unmanaged exotic “carbon only” forests with unclear long-term outcomes. The tracking of farm sales since 2017 shows that 25% of the sheep and beef farms sold to forestry conversion have been into “carbon only” forestry. This kind of activity only started in 2019 when the cap on the carbon price was lifted and carbon only forestry became so lucrative.

3.2 Carbon only forestry is not harvested. There is no active management of the trees and therefore no pruning, fire or pest management. Analysis by BakerAg of the Wairoa region⁹ identified that less than 1 FTE per 1,000 hectares was supported by carbon only farming compared to 7 FTE jobs per 1,000 hectares from sheep and beef farming. In the last couple of years there has been a significant increase in pests like pigs and deer, particularly coming from unmanaged carbon only forests.

3.3 B+LNZ supports:

- Restrictions on how much exotic “carbon only” forestry can be entered into the permanent category;
- A transition to native-dominated permanent forests;
- Clear management obligations and ecological objectives for existing exotic permanent forest;
- Exclusion of exotic-only forests from permanent registration unless part of a managed transition to native species, that can be proven to be effective.
- The continued inclusion of poplar and willow trees when used for alternative environmental benefits, such as land stabilisation.

3.4 This will help ensure long-term environmental integrity and reduce risks such as fire, pests, and carbon reversal.

3.5 For recommendation 3.1 B+LNZ strongly supports carbon only forest owners having a long-term management plan and recommends that this plan specifically includes:

- Pest control, erosion, fire risk, and biodiversity.
- Transitioning from exotic to native species.
- Financial sustainability and accountability.

3.6 B+LNZ reiterates points made in previous submissions warning against “plant and walk away” regimes and calls for improvement of covenants and ETS participation requirements to ensure ongoing management.

3.7 B+LNZ also recommends auditing and enforcement to ensure compliance over time.

3.8 For recommendation 3.2 B+LNZ supports categories and associated rules for exotic, native, and transitional types of forest. These rules need to cover:

- Environmental effects.
- Transition plans.
- Carbon accounting and climate resilience.

3.9 It is key to recognise that transitioning to native species requires robust planning, funding, and site-specific feasibility if it is to be successful.

⁹ [New research shows perils of mass forestry planting on productive sheep and beef land | Beef + Lamb New Zealand](#)

- 3.10 B+LNZ is agnostic as to the regulatory tool for administering this, with both the RMA and ETS available options to manage these categories and their impacts. However, as noted by MPI/MfE officials in their Regulatory Impact Assessment on the proposed changes to the permanent forest category, “While the resource management system can address environmental risks and locational issues it will not address the incentive provided by the NZ ETS, which is the key driver of permanent exotic afforestation” (pg 35¹⁰). Changes must be made to the current NZ ETS settings to reduce the incentives driving carbon forestry, with the RMA used to address other impacts.

4. Recommendation 4: The Government should ensure that the long-term physical risks to the nation’s forests and the financial risks that may accrue both to the forestry industry and to the Crown are systematically monitored, communicated and managed.

Recommendation 4.1: Review how the risks to forests may change in the future (including from disease, and more frequent and extreme adverse events) and quantify the liability that this may impose on forest owners or the government.

Recommendation 4.2: Recognise in the Crown accounts the Government’s potential liability as the effective underwriter of the country’s carbon obligations.

Recommendation 4.3: Review private and public foresters’ financial capacity to respond to any damage and investigate potential mechanisms that might help facilitate this, such as compulsory contingent liability insurance to cover the costs of forest recovery from adverse events.

- 4.1 B+LNZ supports Recommendations 4, 4.1, 4.2, 4.3 and 5. Given the interlinked nature of these recommendations, our reasons for supporting them are provided below.
- 4.2 B+LNZ supports the call for greater oversight of long-term risks associated with large-scale afforestation, particularly exotic monocultures. The risks of fire, disease, and carbon liability must be transparently assessed and managed. We recommend that government policy incentivise diverse, resilient forest systems and require financial provisioning for end-of-life forest management.
- 4.3 Reviewing risks and quantifying this liability (recommendation 4.1) for future scenarios will be critical given that a changing climate changes the risk profile.
- 4.4 We note that for recommendation 4.2 B+LNZ has expressed concern in previous advocacy efforts that the New Zealand government is incentivising risky land use change through the ETS without managing the long-term consequences. Recognising the Crown liability as the effective underwriter of the country’s carbon obligations in Crown accounts would improve public visibility of this issue. In turn better understanding of this issue would encourage public discussion and support improved policy making where long-term risks are better incorporated into decisions.
- 4.5 B+LNZ supports recommendation 4.3 and has raised concern previously about the ‘plant and walk away’ forestry where investors do not plan for long-term management or recovery and is therefore strongly supportive of a review of private and public foresters’ financial capability to respond to any damage and any mechanisms that may facilitate this. We would go further and extend this to reviewing the ability of forester liability for covering the negative impact of their forests on neighbouring properties such as pest management.

¹⁰ <https://www.mpi.govt.nz/dmsdocument/53992-Managing-Permanent-Exotic-Afforestation-Incentives-Regulatory-Impact-Statement>

5. Recommendation 5: Investigate how the value of forest carbon sequestration in the NZ ETS could be discounted to reflect the risks of forest impermanence.

- 5.1 For the reasons supporting recommendation 4, B+LNZ is also supportive of Recommendation 5: investigating how the value of forest carbon sequestration can be discounted to reflect the risks of forest impermanence.
- 5.2 The PCE's report recognises and highlights that while the ETS considers all forms of carbon sequestration as equally permanent, there are significant concerns around the permanence of forestry carbon credits given the uncertainty related to their perpetuity.
- 5.3 Given the long lifetime of carbon from fossil fuel emissions accumulating in the atmosphere, for any sequestration to be equivalent, its permanence would need to be guaranteed for the same period. As noted above there are many challenges facing forests, and we therefore have significant doubts that the lifetime of a forest can be guaranteed for this length of time and therefore discounting should be required to reflect this uncertainty.
- 5.4 Discounting carbon credits based on permanence risk would bring the NZ ETS more in line with credible climate policy frameworks. Currently New Zealand and Kazakhstan are the only two countries that allow 100% offsetting of carbon dioxide emissions with forestry.

6. Recommendation 6: The Ministry for the Environment should investigate ways to ensure that forestry companies cover the costs of the environmental damage they cause. In particular, MfE should:

Recommendation 6.1: Consider the use of levies, other market mechanisms and revised regulation.

Recommendation 6.2: Consider how the costs of problems, such as wilding conifer control, should be apportioned between the Crown, forest owners (the 'exacerbators') and other landowners (the 'beneficiaries'), especially where there are commercial gains to be made.

- 6.1 B+ LNZ is supportive of Recommendation 6 – that MfE should investigate ways to ensure that forestry companies should cover the costs of the environmental damage. We are supportive of the principle that forestry operators should be held accountable for the environmental impacts of their activities. This includes liability for infrastructure damage, slash, fire, and pest management .
- 6.2 For Recommendation 6.1 B+LNZ is agnostic as to what mechanism is used as long as the desired objective of imposing the costs of environmental damage originating from forestry operations on those responsible is achieved.
- 6.3 For Recommendation 6.2, B+LNZ supports greater understanding of how the costs should be apportioned, noting that many issues have historical roots originating from Crown forestry incentives. Funding required needs to be realistic and linked to a clear plan to address the issue.

7. Recommendation 7: Ban clear-fell harvest in areas where it is identified as high-risk.

Recommendation 7.1: Improve the resolution of erosion susceptibility data in high-priority areas so that it is suitable for site-level decision-making about land use.

Recommendation 7.2: Identify and map areas, including those already forested and those prior to afforestation, most at risk of adverse environmental impacts from clear-fell harvesting.

7.1 Beef + Lamb NZ has no policy in this area and therefore has no comment on this recommendation.

8. Recommendation 8: Review the application of the Forests Act to native forests that are established through assisted natural regeneration.

8.1 B+LNZ supports Recommendation 8: Reviewing the application of the Forests Act to native forest that are established through assisted natural regeneration.

8.2 We agree that regulatory and funding settings currently favour exotic over native afforestation. B+LNZ supports reforms that level the playing field, including:

- Recognising native regeneration in the ETS
- Providing long-term funding for native planting and maintenance
- Streamlining consenting for native afforestation

8.3 Just under a third of New Zealand's total land area is used for sheep and beef (mixed agriculture), comprising about three quarters of pastoral lands. Sheep and beef farmers manage approximately 2.9 million hectares of native habitat, including 0.9 million hectares of native forest. This is the second largest holding of native forest and native biodiversity in the country and represents almost 25% of New Zealand's remaining native vegetation. This places NZ sheep and beef farmers second only to the Crown estate as kaitiaki of NZ native vegetation.

8.4 Reviewing the Forests Act and its application to native forests that are established through assisted natural regeneration will provide additional financial incentives for farmers to improve native regeneration on their land by providing increased opportunities for economic returns in the future from harvesting.

8.5 Sheep and beef farmers support increased biodiversity but current restrictions on harvesting timber from regenerated native forests is currently acting as a disincentive to grow these forests. Current restrictions on harvesting regenerative timber mean that once a native forest has regenerated and established it is very difficult to change this land use.

8.6 Providing additional options for harvesting native forest established through regeneration also gives flexibility for farmers who may be currently discouraged from actively promoting native regeneration if they are concerned that it would reduce their ability to change land use in the future (or reduce the resale value of the land).

8.7 Farmers value land use flexibility and do not want to be locked into a land use. Allowing harvesting of timber is one way to provide a financial incentive for supporting native forest to regenerate.

8.8 Policies that support farmers viewing improved biodiversity as a positive outcome, rather than as a liability. Allowing regenerating native forest to be harvested would improve biodiversity during the establishment phase of the vegetation by providing increased habitats, with impacts from harvesting to be managed through permitting in the Forests Act (Recommendation 9).

9. Recommendation 9: Develop national guidance about how councils should treat native timber harvesting carried out in line with the Forests Act.

9.1 Beef + Lamb NZ has no policy in this area and therefore has no comment on this recommendation.

10. Recommendation 10: Initiate a process to approve more alternative timbers as acceptable solutions under the Building Code, including reviewing the membership of committees that approve these solutions to ensure they are comprised of independent experts, including some with expertise in alternative timbers.

10.1 Beef + Lamb NZ has no policy in this area and therefore has no comment on this recommendation.

11. Recommendation 11: Focus future afforestation funding schemes on successful establishment and long-term maintenance.

Recommendation 11.1: Any future publicly funded native afforestation scheme should focus on high-priority sites with the best chances of success based on climate, topography, soil, hydrography, proximity to native seed sources and pressures in the surrounding landscape.

Recommendation 11.2: Provide funding sources or mechanisms for the ongoing maintenance of forests for ecosystem services, whether newly established or existing. These might include revenue from NZ ETS auctions, payments for ecosystem services, and direct taxpayer funding where there are clear public benefits without commercial gains.

Recommendation 11.3: Make maintenance, monitoring and reporting plans mandatory for any publicly funded afforestation projects. The costs of ongoing maintenance and how it will be funded (recommendation 11.2) should be considered before any funding is provided.

11.1 B+LNZ strongly supports Recommendation 11. Many native planting projects fail due to lack of follow-up funding and weed/pest control. Afforestation schemes must therefore include long-term maintenance funding, monitoring, and support for landowners to ensure ecological success and carbon permanence.

11.2 As well as focussing on sites with the best chance of success (Recommendation 11.1), sites should also be selected that provide for a wide range of ecosystems. Carbon sequestration, while a key consideration for the ETS should only be one factor, with biodiversity benefits from trees that have lower carbon sequestration potential also a key aspect.

11.3 We support Recommendation 11.2. Funding is important for supporting the establishment of forests and B+LNZ agnostic as to where it originates, however it needs to be accessible for farmers across a range of project sizes. Effort should be taken to ensure the accessibility of any funding does not prohibit smaller scale projects.

11.4 We agree with Recommendation 11.3 that maintenance, monitoring, and reporting plans should be mandatory, with ongoing funding sources considered before any funding is provided.

12. Recommendation 12: Ensure that alternative forestry systems (including native and exotic species as well as different management

regimes) are given prominent treatment in any future prioritisation of environment and forest related research.

12.1 B+LNZ supports Recommendation 12. Forestry systems should be used in such a way as to generate multiple outcomes across community wellbeing and natural capital parameters, in addition to generating carbon offsets, as part of wider options to decarbonise the economy.

12.2 B+LNZ supports increased investment in research on diverse, integrated forestry systems, including:

- Agroforestry
- Native-exotic mixed planting

12.3 These systems offer climate resilience, economic diversification, and environmental co-benefits. Research should be co-designed with farmers, Māori, and rural communities.

13. Recommendation 13: Improve the availability and usability of existing knowledge about alternative forestry systems through developing and maintaining a publicly accessible data system that enables that knowledge to be easily disseminated and applied.

13.1 B+LNZ has no comment on this recommendation, however, B+LNZ supports any system for improving knowledge uptake on this issue.