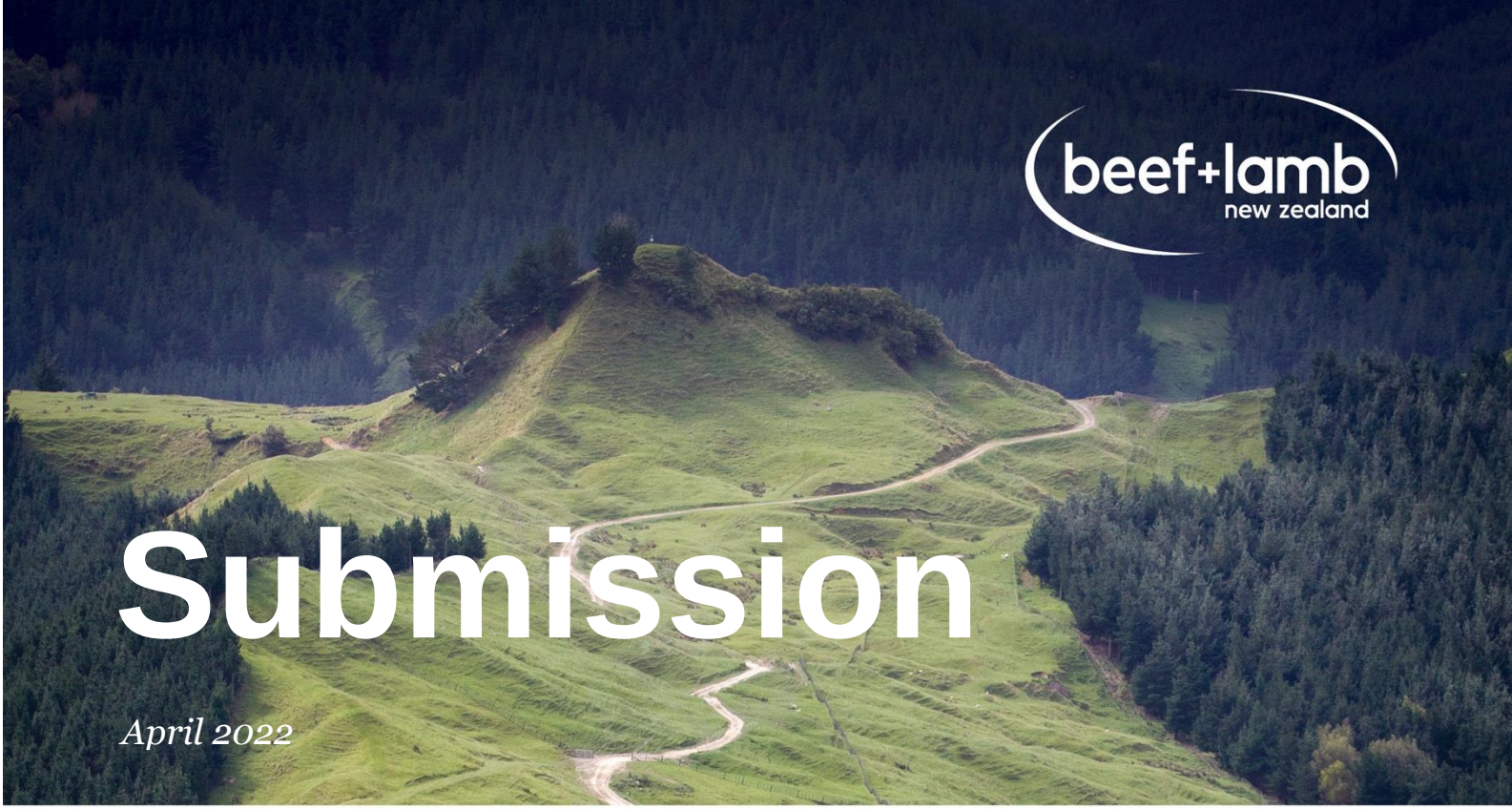

Submission

April 2022

TO

Ministry for Primary Industries and the Ministry for the Environment

ON THE

Managing Exotic Afforestation Incentives Discussion Document

BY

Beef + Lamb New Zealand Ltd

SUBMISSION ON THE MANAGING EXOTIC AFFORESTATION INCENTIVES DISCUSSION DOCUMENT:

TO: Ministry for Primary Industries

DATE: 22 April 2022

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1. EXECUTIVE SUMMARY

1.1. We welcome this opportunity to provide feedback on the Managing Exotic Afforestation Incentives Discussion Document, referred hereafter as the Consultation Document, (the CD).

1.2. B+LNZ does not support expansive monoculture afforestation as an outcome from the operation of the New Zealand Emissions Trading Scheme (NZ ETS). We argue that permanent exotic afforestation through the NZ ETS should not be used by the Government as the dominant method for addressing New Zealand's carbon emissions profile.

1.3. Rather, B+LNZ argues that tree plantings 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.

1.4. B+LNZ, supports the use of exotic trees, both permanent and in rotation, within an integrated landscapes approach, where land use and land type are matched, and natural resources utilised within environmental limits. To this end, the operation of NZ ETS should provide protection to the natural environment while allowing for flexible land use, as well as improvements to our natural capital, economic, and social wellbeing over time.

1.5. B+LNZ supports individual rights to make choices about the land-use options that best suit them, in the context of the law and wider social expectations.

1.6. It is clear from the CD that the Government recognises that the current setting of the NZ ETS is likely to further drive unmanaged and rapid afforestation, comprised of pine and other exotic species, across various land types. Further, the CD wording is clear that this type of afforestation will continue to have adverse impacts on communities and our natural capital.

1.7. B+LNZ argues the current settings of the NZ ETS have produced a carbon market that does not incorporate management of the externalities associated of carbon offsets, especially produced by expansive monocultures of exotic species. The result is a significant financial return to investors while transferring the short and longer-term land management risks to the community, as well as central and local government. This is a case of privatising profits and socialising the costs of long terms impacts.

1.8. B+LNZ suggests the CD's focus on excluding exotic forests from the NZ ETS permanent forest category misses the point. Rather, the focus for the Government should be a fuller review of the NZ ETS focusing on how the NZ ETS might better drive afforestation (native and exotic) that is integrated within existing landscapes and land uses and identify how risks associated with land use change are managed, and co-benefits are best realised.

1.9. Consequently, B+LNZ suggests that the proposed changes in the CD are not likely to provide New Zealand with an Emissions Trading Scheme that effectively addresses the impacts of expansive monoculture afforestation. We look forward to reviewing how these considerations will be considered in the Government's Emissions Reductions Plan intended for publication in late May.

1.10. To address our wider concerns, B+LNZ seeks a moratorium for the inclusion of exotic species in the 'Permanent Forest' category of the NZ ETS, in place for at least two years (1 Jan 2025). This gives sufficient time for the Government to work with the forestry and agricultural industries, carbon foresters, Iwi, and particularly affected community groups, to modify the NZ ETS, along with other policy tools and mechanisms, to better address the impacts of large-scale afforestation. This additional time will also provide an opportunity to align the NZ ETS with required changes to implement the He Waka Eke Noa recommendations.

1.11. B+LNZ supports the Climate Change Commission's recommendations for forestry and seeks assurances that additional changes, other than those proposed, are implemented by the government to deliver on these recommendations. This includes placing limits on the use of forestry offsets writ large. This will help ensure that the negative consequences of using trees as a short-term fix to our long term need to transition to a low-emissions and warming neutral future are managed.

1.12. B+LNZ encourages the Government to modify the NZ ETS to incorporate environmental management which will result in better environmental outcomes. For example, coupling biodiversity credits with carbon credits and anchoring these through a farm plan, would encourage carbon sequestration, increase habitat and connectivity for native fauna, and improve freshwater ecosystem health.

1.13. B+LNZ would support policy options that encourage an increase in native vegetation being planted. We welcome any opportunities to work with government on this topic.

2. B+LNZ RECOMMENDATIONS

2.1. **Strongly Support** the establishment of a moratorium for the inclusion of exotic species in the 'Permanent Forest' category of the NZ ETS, in place for at least two years (1 Jan 2025), to give sufficient time for the Government to work with the forestry and agricultural industries, carbon foresters, Iwi, and particularly affected community groups to modify the NZ ETS, along with other policy tools and mechanisms, to better address the impacts of large-scale afforestation. This additional time will also provide an opportunity to align the NZ ETS with required changes to implement the He Waka Eke Noa recommendations.

2.2. **Note** B+LNZ support allowing native planting or reversion to commence in the permanent forest category 1 Jan 2023 while exotics would be effectively delayed until 1 Jan 2025.

2.3. **Note** we accept that a moratorium will likely have negative impacts on individuals, Iwi, and investors whose visions for sustainable and integrated land management we share. These impacts could be especially pronounced for some of our Māori levy payers, whose land may be especially well suited to permanent forests or who wish to use exotic forests as a means of transitioning to native regeneration. We look forward to discussing how best to manage the impacts of a moratorium with these groups.

2.4. **Support** a wider review of the NZ ETS settings than that which is being put forward in the CD, including further examination of regulatory, financial, and advisory mechanisms to better manage the adverse impacts associated with NZ ETS driven exotic afforestation.

2.5. **Do not support** the inclusion of exotic forests in the permanent forest category unless the wider socio-economic, environmental and land management impacts are effectively managed, and co-benefits realised.

2.6. As part of a wider review of the NZ ETS, B+LNZ **would consider** the use of RMA tools, such as an expanded scope of the existing National Environmental Standards for Plantation Forestry or the creation of National Environmental Standards for Carbon Forestry, to manage the effects of new and existing permanent exotic forests.

2.7. **Support** development of proposals to update the methods used to calculate carbon sequestration in the NZ ETS yield tables. We look forward to submitting our views on these proposals.

2.8. **Do not support** the inclusion of longer rotation averaging accounting for exotic forests, without undertaking a wider review of the NZ ETS that puts in place tools to ensure the forests included in longer rotation averaging accounting do not, in effect, operate as permanent exotic afforestation.

2.9. **Support** provision of a range of incentives and supports to encourage greater native forest planting, regeneration, and management.

2.10. **Support** CCC's recommendation to "*Support farmers, growers and local government to make well-informed land-use decisions by investing in nationwide land and climate information and decision-making tools, including information and tools relevant for Māori collectively-owned land*."

2.11. **Seek** additional assurances that the CCC's recommendation to limit the use of forestry offsets within the NZ ETS is delivered upon.

2.12. **Note** that the Government's first Emissions Reductions Plan will be published in May 2022, and we look forward to reviewing this.

2.13. **Note** ongoing changes to the Overseas Investment Act 2005 for forestry conversations requiring to complete the Benefit to New Zealand test pathway.

2.14. **Note** the proposed key forestry and climate change policy work occurring 2022-2023 and appreciate the ability this provides us with to forward plan our own work programmes.

3. INTRODUCTION

3.1. We welcome this opportunity to provide feedback on the Consultation Document, (the CD). 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. B+LNZ has the mandate to submit on behalf of its levy-payers on matters that affect them. We welcome this opportunity to provide feedback on the consultation regarding managing exotic afforestation incentives, and its focus on managing permanent exotic forestry.

3.2. B+ LNZ represents around 9,000 farming businesses, providing around 35,000 jobs across New Zealand. The sector is a significant contributor to New Zealand's economic wellbeing. Export revenue from New Zealand's red meat industry for the year ending 30 June 2022 are projected to be $11.1 billion[1].

3.3. B+LNZ actively works across numerous environmental programmes, building farmers' capability and capacity in environmental management, supporting sustainable product development, influencing government policy, and building on farmers' ethos of environmental stewardship, as part of a vibrant, resilient, and profitable sector based around thriving communities.

3.4. 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. Sheep and beef farmers manage approximately 2.8 million hectares of native habitat, including 1.4 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.

3.5. Additionally, an estimated 180,000 hectares of forest rests on sheep and beef farms. This mix of native and planted woody vegetation sequesters a significant amount of carbon, with estimates varying from 5.5 Mt CO2-e (Ministry for the Environment) to 10.4 – 19.7 Mt CO2-e (AUT). B+LNZ, is also a partner in the Pastoral Greenhouse Gas Research Consortium (PGgRc), which supports farmers in their management of greenhouse gas (GHG) emissions.

3.6. Our farmers have been actively planting and maintaining vegetation to control erosion, provide native habitat, provide shade, and shelter for their animals, and limit their impact on Freshwater health. Via catchment groups, regional councils, and their own initiative, landowners planted over 19,000,000 indigenous trees and close to 37,000,000 exotic trees thanks to the support of the One Billion Trees programmes[2].

3.7. Clearly, sheep and beef farmers are a key part of New Zealand achieving its objectives in the management of GHG. As part of this, we are working to ensure New Zealand's transition is achieved by enabling livelihood pathways that support the continued building of thriving communities, based on improved economic and social wellbeing outcomes. In this context carbon forestry comes

[1] B+LNZ Economic Service

[2] Pg 20, Ministry for Primary Industries. 2022. One billion trees fund: 30 month monitoring and evaluation report. Retrieved April 20, 2022.

with substantial impacts that we do not feel are being effectively managed. This is especially the case of risks to community resilience and natural capital associated with large scale plantings of unmanaged exotic forest, afforestation. Based on our land stewardship actions to date and the opportunity this provides for increased plantings, sheep and beef farmers are a key part of New Zealand achieving its objectives in the management of greenhouse gases.

3.8. This more fundamental review is needed if we are to effectively encourage sequestration using woody vegetation, native and exotic, while more broadly supporting economic and social wellbeing outcomes. The current suggested changes to the operation of the NZ ETS, put forward in the CD, don't provide sufficient nor timely interventions to restrict the impacts of underlying liabilities and perverse outcomes brought into effect because of the current configuration of the ETS. These impacts liabilities are discussed, see below, section 4.5, along with recommendations and comments on specific questions set out in the consultation document.

4. GENERAL COMMENTS ON THE CONSULTATION DOCUMENT

4.1. It is clear from the consultation document that the Government recognises the current settings of the NZ ETS are likely to further drive unmanaged and rapid afforestation, comprised of pine and other exotic species, across various land types. This understanding matches the direct experience of our levy payers (sheep and beef farmers), feedback from our consultation and wider community engagement. Further, our engagement makes it clear that both our levy payers and their communities are of the view that large scale monoculture afforestation will continue to have adverse impacts on our communities and natural capital and presents longer-term risks and land management challenges. In this context, B+NZL argue that the current configuration of NZ ETS requires a more complete and fundamental modification than is put forward in the CD.

4.2. B+LNZ argues the settings of the NZ ETS have produced a carbon market that incentivises the expansion of permanent exotic, and arguably long-rotation forest, by generating significant financial gains for large scale afforestation without the need to manage the externalities associated with this land use change. Managing this perverse incentive must be a first-order priority.

4.3. At its core, the NZ ETS is a market-based-mechanism created to price the 'externality' of carbon emissions. However, this 'solution' has become a problem in of itself. In essence, we must now put in place systems and tools to manage the negative impacts of a market-tool created to mitigate carbon emissions, as an 'externality' of the created carbon market. This absence of management effectively increases financial returns to investors while transferring the short and longer-term land management risks to the community, central and local government. Arguably, this is a case of privatising profits and socialising risk.

4.4. Our work indicates that permanent exotic afforestation will displace productive land uses that provide wider economic and employment benefits and significant afforestation will over time result in fewer jobs and export earnings. We are also concerned about the environmental impacts of large-scale permanent carbon and rotational harvest forests in the short-term and long-term (especially as compared to natives) or smaller within farm woodlot systems. B+LNZ also takes this

opportunity to raise concerns about the impact of permanent exotic afforestation on community and climate resilience.

4.5. In all, current settings (or those proposed in the CD) in the NZ ETS do not fully manage the negative environmental and social-wellbeing impacts associated with expansive carbon afforestation. This is especially pertinent given that the government has created the 'market' through the NZ ETS and thus has an obligation to manage its wider negative impacts (externalities). Negative impact (externalities) resulting from the large-scale afforestation, based in pine and other exotic forest, over the short and longer-term risks include:

- Increased risk of larger scale fire
- Loss of local employment opportunities
- Changes to catchment waterflow dynamics, impacting freshwater health, Mahinga Kai and recreational opportunities
- Increased pest and weed incursion, due to poor management
- Biodiversity threats, due to greater pest and weed habitat
- Reduced community cohesion and resilience, due to lack of human involvement in land stewardship responsibilities
- Severely reduced land-use flexibility
- Reduced incentive for carbon emitters to reduce, rather than offset, their emissions
- Lack of land stewardship obligations for carbon forestry land users (i.e., limited punishment for those who 'plant and walk away')
- Lack of consistent evidence and experience that guarantees the transition of exotic forest plantings to native regeneration.

4.6. As such, B+LNZ argues that the consultation document is limited in its scope and represents an incomplete attempt to mitigate the underlying liabilities and perverse outcomes brought into effect through the current configuration of the NZ ETS. Although changes to the permanent exotic forest category of the NZ ETS draws attention to this short coming, the use of an exemptions model to prevent permeant exotic forestry is at best a 'patch'.

4.7. Importantly, that lack of detail and short timeframes for the implementation of the proposed changes to the permanent forest category further point to an ad-hoc policy approach. For example, the conditions need to be met for including permanent exotic forests in the ETS are not yet fully specified and the time frame for regulatory change appears unrealistic.

4.8. Consequently, the government's preferred approach is not likely to provide New Zealand with an ETS that effectively reduces emissions of GHG, improves community resilience in the face of climate change, builds our natural capital and advances the wellbeing of communities, as they transition to a low emissions future and warming world.

4.9. Further, while the proposal to treat long rotation forestry differently from permanent exotic forestry within the NZ ETS is potentially positive how this would work in NZ ETS and how long rotation forests would be prevented from having the same risks and effects of a permanent exotic forest needs to be further discussed.

4.10. To address our wider concerns, than those raised in the CD, B+LNZ seeks a moratorium for the inclusion of exotic species in the 'Permanent Forest' category of the NZ ETS, in place for at least two years (1 Jan 2025). This gives sufficient time for the Government to work with the forestry and agricultural industries, carbon foresters, iwi, and particularly effected community groups, to modify the NZ ETS to better address the impacts of large-scale afforestation more broadly. This additional time will also provide an opportunity to align the NZ ETS with required changes to implement He Waka Eke Noa (HWEN).

4.11. We understand that a moratorium may have impacts on individuals and investors whose visions for sustainable and integrated land management we share. We are open to discussing how best to manage these impacts with the government and others.

5. RESPONSE TO QUESTIONS IN CONSULTATION DOCUMENT

Questions 1 and 2.

1. Do you agree with our description of the problem? Why/Why not?

2. Do you have evidence you can share that supports or contradicts this problem definition? Or that demonstrate other problems?

5.1. **Liabilities and perverse outcomes a problem with the NZ ETS.**

5.1.1. The NZ ETS carbon market is playing an increasingly larger role in other more established land sale markets. For example, the current scale and pace of planting is much higher than we have seen since the 1990s. According to Manley (2021[3]), afforestation intentions are only really limited by seedling availability, and we have already seen 45,000ha planted last year. Effectively, this is because of the short-term gains that can be made by selling carbon units (capital assets) gained through the NZ ETS while placing no liability or price signals on the holder of these assets to be responsible for land management and externalities risk associated with this land use change, in the short or longer-term.

5.1.2. A key concern is failure of the NZ ETS to manage long-term liabilities and perverse outcomes that are likely to result from a large expansion of the permanent exotic forestry estate. We agree that both plantation forestry and sheep and beef farming outperform permanent exotic forests in contribution to GDP and jobs per area of land. However, not-for-harvest exotic trees are displacing other productive land uses despite the positive metrics for plantation forestry and sheep and beef farming. In part, this is driven by quick returns offered by the NZ ETS, which can be realised through secondary markets once the carbon unit (assets) has been gained. Effectively, short term gains are distorting the land market at the expense of longer-term and wider economic and social benefits.

[3] Professor Bruce Manley, School of Forestry, University of Canterbury (2021) Afforestation and Deforestation Intentions Survey 2020. Prepared for Ministry for Primary Industries, MPI Technical Paper Paper No: 2021/14.

5.1.3. For example, an analysis of Wairoa[4] (where significant forestry conversion is occurring) shows that large scale afforestation provides fewer jobs (and direct spending) in rural communities compared to sheep and beef farms. The study found that if all the sheep and beef farms in Wairoa were converted to forestry, then Wairoa would see a net loss of nearly 700 local jobs (the equivalent of one in five jobs in Wairoa) and net $23.5 million less spent in the local economy when compared to blanket forestry (excluding harvest year).

5.1.4. At the national scale, PWC modelling[5] shows that forestry (both production and permanent) in hard hill country generally offers greater returns to capital on a per hectare basis, when compared with sheep and beef farming.

5.1.5. However, almost no employment is generated from permanent carbon forestry. Further analysis shows that a move to permanent carbon forestry significantly reduces the GDP impacts and reduces employment impacts to negligible. Employment is maintained when forestry (both production and permanent) is integrated into sheep and beef farming systems. See Figure 1 below.

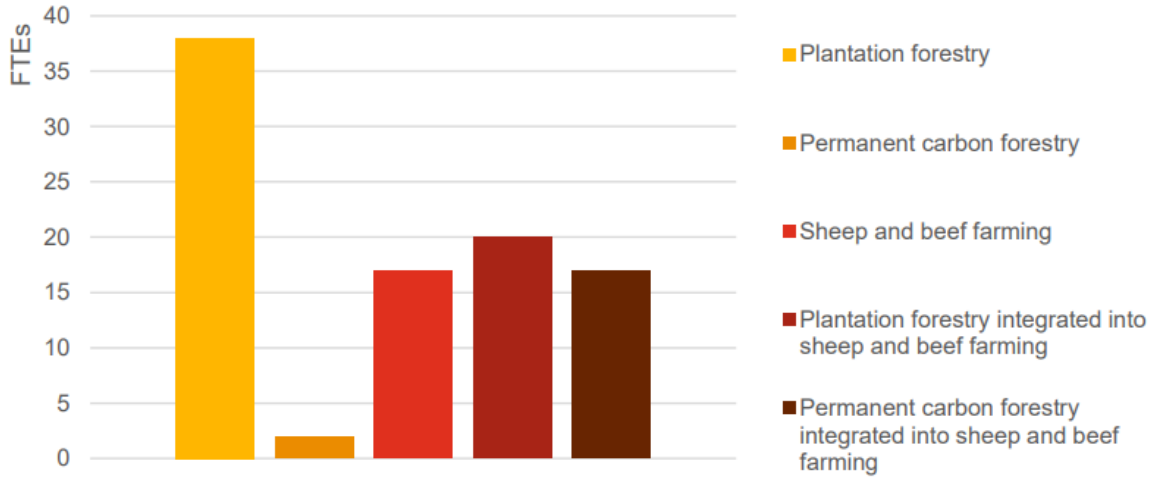

Figure 1: Annual total value chain impact per 1,000 hectares -FTEs by land use. Source Economic Impact of Forestry in New Zealand

5.1.6. We also agree that these forests are not likely to have positive impacts on communities, biodiversity, or climate resilience efforts. The lack of requirements on landowners to manage the effects and risks of their planting activities shows how remiss our current policy settings are. Fire, pest, and disease spread are uncontrolled along with any freshwater or community resilience impacts of windthrown or 'swept away' trees. That these forests are also very challenging to convert to an alternative land use in a way that is not extremely economically taxing is also a concern.

[4] Bruce, H., Harrison, E. (2019) Socio-Economic impacts of large-scale afforestation on rural communities in the Wairoa District, BakerAg, commissioned by B+LNZ.
[5] PWC (May 2020). Economic Impact of Forestry in New Zealand. Date Accessed 6 April 2022.

5.1.7. Although we are also concerned with large influx of units any large-scale establishment of permanent exotic forests will generate, we are more concerned about the lack of control on the supply or use of these units as emissions offsets. The discussion document could be clearer in showing that the problem is primarily being caused by exotic afforestation being the best means of currently achieving current targets under the existing rules, which is an imperfect proxy for what is best for the climate.

5.1.8. As highlighted within the discussion document, the Climate Change Commission recommended amendments to the NZ ETS that:

- strengthen the incentive for gross emissions reductions
- manage the amount of exotic forest planting generating offsets within the scheme
- manage the impacts of increased exotic forest planning
- clarify the intended use and outcomes of permanent carbon sinks.

5.1.9. The proposals included within the CD do not effectively do this within the context of these recommendations and unless a wider review of the NZETS is undertaken covering the use of large-scale permeant forestry offsets within the scheme, any adjustments will essentially be tinkering around the edges. As such a more fundamental re consideration of the settings of the NZ ETS are required.

5.1.10. We are also concerned that the assets allocation to permanent exotic forests which are then on-sold into the NZ ETS represents a transfer of wealth from public monies into private entities, without any mechanisms to manage long-term or unforeseen liabilities such a change in land-use creates. In effect the externalities of afforestation are not priced into the NZ ETS.

5.1.11. As sheep and beef farming is displaced by large-scale afforestation, so too are all the social, cultural, and economic well-beings provided by this sector. The impact on community wellbeing and climate resilience must be front and centre of as we transition to a net carbon emissions future.

5.1.12. Individuals in communities where carbon forestry has become pronounced feel that change is happening to them, not with them, and they are losing their communities as a result[6]. This is not something that should be ignored. Rather, we must include this as part of the problem definition associated with this consultation on permanent carbon forestry.

5.1.13. Land use change is happening quickly and too fast for the social conversations needed to ensure sustainable change is made. For example, between 2017 and 2020 an estimated 127,376 ha of sheep and beef land was converted to exotic plantation forestry. Of this, 73% was whole farm conversions (92,118 ha). This equates to close to 32,000 ha

[6] pg 6, Collins, H and McFetridge, A. 2021. The Impact of Afforestation on Rural Communities. A casestudy in the Tararua District of New Zealand. Report prepared for the Tararua District Council.

of planting on average per year, which is 7,000 ha more per year than recommended by the Climate Change Commission[7].

5.1.14. Moreover, farm to forest conversation is occurring on more than just 'marginal' land. Planting has occurred on LUC Class 6 (52%) which is displacing land well suited to mixed agriculture (comprised of sheep and beef raising), while leaving area more marginal land outside of the NZ ETS. This perversity is a natural response of the current NZ ETS settings. For example, it is more cost effective to convert a whole farm to forestry and afforestation rather convert smaller parcels of land within a farm-based system to achieve a wider range of environmental and community outcomes other than carbon sequestration.

5.2. ***Prioritise emissions reductions first, offsetting second***

5.2.1. New Zealand must meet its global climate change targets by prioritising emissions reductions first, followed by offsetting through forest establishment as a second order of priority.

5.2.2. Offsetting activities should be limited overall and integrated into existing sheep and beef farming systems (and their associated rural communities) to deliver multifaceted environmental, economic, and social outcomes. As the IPCC noted in their recent summary for policy makers on mitigation opportunities and options, offsetting within the land use sector can come in direct competition for land, water, and other resources. There is a high confidence that if deployed at larger scales or without due diligence, a community's adaptative capacity can be reduced and existing risks exacerbated.[8] The solutions to this are known. Well-implemented programmes that do not threaten existing sustainable land uses and integration of policy programmes and objectives is key (pg 54). Right now, there is a disconnect between what we can all agree on wanting (more integrated planting within our farming landscapes) and the drivers pushing us towards monoculture carbon forests that do not provide for people or our natural environment.

5.2.3. This integration will require a concerted effort and changes to how we presently encourage and manage the establishment of vegetation on farms. This includes changes in NZ ETS settings to the permanent forest category of the NZ ETS and the long-term averaging category. We see the need for both categories to have conditions for participants to ensure that the long-term risks associated with this kind of land use is effectively managed.

5.2.4. We are concerned that the economic drivers for carbon forestry in the permanent category is relatively similar to the drivers seen within the long rotation averaging category. This is informed by analysis completed by

[7] BakerAg (2021) Independent validation of land-use change from pastoral farming to large-scale forestry, prepared for B+LNZ. Date Accessed 5 April 2022.

[8] Pg 56, Ministry for Primary Industries. 2022. One billion trees fund: 30 month monitoring and evaluation report. Retrieved April 20, 2022.

B+LNZ's economic service team using data assessing the expected returns (before interest, tax, rent, and managerial remuneration) from North Island hill country sheep and beef farming, rotational forestry, rotational forestry with carbon units, and pure carbon forestry. Based on this analysis, Sheep and Beef farming provides greater value than for-harvest forest on a per hectare basis at both 30 and 50 years from the present. On the other hand, harvest forestry with averaging carbon accounting and pure carbon forestry is more than 3 times more profitable than sheep and beef farming 50 years into the future. Noting that carbon forestry and long-term rotation averaging are extremely similar in their expected returns based on this analysis.

5.2.5. The NPV similarity between carbon forestry and long-rotation forest with averaging carbon accounting is striking. Thus, adjustments to the permanent category of the ETS only may not have the desired effects.

Summary

5.2.6. Land use change to permanent woody vegetation must provide for the short and long-term economic, environmental, and resilience needs of the catchment and community.

5.2.7. We agree that permanent exotic afforestation:

- Displaces productive land-uses that provide wider economic and employment benefits and that planting of permanent exotic forests results in fewer jobs and export earnings.
- Reduces incentives to face emissions price and thus reduce emissions.
- Presents harmful environmental impacts (especially as compared to natives).

5.2.8. While there is a place for permanent afforestation within integrated systems overall, we think that permanent exotic afforestation:

- Is playing an out-sized role in land use markets
- Negatively impacts on rural community wellbeing and resilience.
- Is potentially very similar to forests entered into the 'long-rotation' category.
- Provides windfall gains to short-term investors in land-based carbon placing at the expense of current neighbours and future stewards of the land.
- Provides for a liability-free investment that can be gained and walked away from.

Question 3

3. Do you agree with our criteria for managing permanent exotic afforestation? If not, what would you change and why?

5.3. ***Response***

5.3.1. We agree with the criteria outlined in the consultation document but think that the options discussed do not go far enough on delivering them. We also consider the need for additional criteria to ensure support for community and climate resilience and the risks associated with permanent land use change are more fully covered.

Question 4 and 5

4. Should we provide for exceptions allowing exotic species to register in the permanent forest category under certain conditions?

5. Are there particular circumstances that you support introducing exceptions for (for example, exceptions for certain species of exotics)? Why?

- ***What are the likely impacts, risks, and costs of allowing exceptions in these circumstances?***
- ***If we allow exceptions for exotic species under certain conditions, should we place additional conditions on the granting of this exception? What could these be?***

5.4. ***Response* to Questions 4 and 5 in consultation document**

5.4.1. Excluding permanent exotic forest from the incoming permanent forest category misses the point, as both permanent and non-permanent forest have a part to play. To see the benefits that permanent forests can provide, we need to also manage the range of impacts associated with large scale permanent afforestation, see section 4.5. Management of these risks should be applied uniformly where the risk exists, covering different land types, management, and owner aspirations within a regional context.

5.4.2. B+LNZ **do <u>not</u> support** the exemptions as they are currently stated in the CD, because we are not confident that these will manage the negative impacts of large-scale exotic afforestation. Rather we seek a wider review of the NZ ETS settings than that which is being put forward in the CD, including further examination of regulatory, financial, and advisory mechanisms to better manage the adverse impacts associated with NZ ETS driven exotic afforestation.

5.4.3. B+LNZ suggest that a moratorium in put in place for at least 2 years to give the Government and community time to develop a potential exemption or standards regime (see section 5.4.9 below) if deemed appropriate, in parallel with and examination of other policy options listed

in section 7.2. We have provided an indicative overview of what these potential standards could look like but need these ideas to be considered only as part of a wider review, needing confidence that other methods would be implemented in partnership.

5.4.4. To be clear, B+LNZ support allowing native planting or reversion to commence in the permanent forest category 1 Jan 2023 while exotics would be effectively delayed until 1 Jan 2025.

5.4.5. We also accept that a moratorium will likely have negative impacts on individuals, Iwi, and investors whose visions for sustainable and integrated land management we share. These impacts could be especially pronounced for some of our Māori levy payers, whose land may be especially well suited to permanent forests or who wish to use exotic forests as a means of transitioning to native regeneration. We look forward to discussing how best to manage the impacts of a moratorium with these groups.

5.4.6. We agree that there is a fundamental tension between simple rules applied universally and ensuring rules are suitable for different land types and owner aspirations.

5.4.7. Given that the impacts associated with any kind of permanent afforestation are related to the management of this land, we do not think it is appropriate to make significant distinctions between species types. This means that both native and exotic afforestation should be treated equally based on environmental, social wellbeing and land management impacts. However, it is conceivable that native forests will have a lower management burden than exotics.

5.4.8. We understand that exemptions requiring all forest types to adhere to good management standards can substantially limit the ability of individuals or Māori Trusts with limited up-front capital or capacity to enter forests into this category. We also have heard from our farmers repeatedly that overly cumbersome regulatory burdens can limit what we can all agree are ‘good’ things to do. We encourage officials to work with us and others to develop a regime that is both effective and practical to implement.

5.4.9. B+LNZ also encourage officials to consider how permanent exotic planting that delivers co-benefits such as flood protection, erosion control, stock shade/shelter (especially those that is used primarily within a food production business), are supported in meeting any outcome standards or exemption conditions developed. For example, participants entering integrated exotic plantings into a farming landscape could have a supported pathway for application into the NZ ETS, as well as receiving recognition for any additional reward that their actions provide.

5.4.10. B+LNZ do not see ‘area’ conditions as effective means to manage the problem. It is uncertain if limits on the total area of permanent exotics would likely see a decrease in demand for these areas. Evidence for

existing participants in the scheme suggests that a singular company could register 99ha blocks (all within the same geographical area) to avoid the field measurement approach requirements.

5.4.11. **Comment on and exemptions or standards regime**

5.4.11.1. B+LNZ consider that alternatives to an exemption regime, such as the use of a set of standards that would apply to all participants in the permanent afforestation category warrants consideration, in the context of a wider review of the NZ ETS. These standards would ensure that all entrants into the permanent category face the same obligations for the continuous management of the land and the vegetation within it.

5.4.11.2. This model, effectively a binding operational standard for afforestation, would be based on a management plan and commitment to addressing a range of land management issues, ensuring community engagement and site management.

5.4.11.3. In practice, this could mean requirements for participants entering in the scheme to complete a Carbon Forestry Management Plan which outlines how risks such as fire and pests will be effectively managed. It can also describe and provide assurances that if a change of species type or management is intended (i.e., exotic plantings to native reversion), that there are sufficient management programmes, finances, and safeguards in place to ensure this happens. Content within and implementation of the Carbon Forest Management Plan should be reviewed, verified, and audited throughout and in-line with the existing Mandatory Emissions Reporting Programme (MERP) timeframes.

5.4.11.4. We would want to see any exemption conditions or standards include requirements for:

- Continuous cover forest management plan.
- Pest and weed control plan.
- Transition to another forest type plan.
- Financing plan for all the above.
- audit and verification of adherence to the above

5.4.11.5. Additional measures could also be put in place, such as requirements for a(n):

- Business continuity plan (i.e., someone is personally liable if the participant plants, walks away with the credits, and leaves the trees to rot without any management).
- External assessment of land use suitability for permanent vegetation and any associated management proposals (such as harvest).
- Provision for RMA regional planning processes can be additional and not be curtailed by a standards system. It is important that a regime for managing the effects of carbon

forestry is not limited to just settings within the NZ ETS. Although standards may be part of a system to manage many of the impacts associated with permanent exotic afforestation, flexibility should be provided for local communities to add additional conditions given their local context.

5.4.11.6. Additionally, support for the increased integration of both native and exotic vegetation within farming systems should form consideration within a wider review of the NZ ETS. Specific mechanisms could focus on co-development of planting plans, building effective native plant supply, and planting labour infrastructure, and support for on-going pest and weed control to ensure additional co-benefits for biodiversity, freshwater health, and climate resilience are maintained into the future.

Question 6

6. Are there alternative ways we can recognise and encourage these forests, either within or outside, the NZ ETS? (For example, through the resource management system.)

6.1 Response

6.1.1 Yes, there are numerous ways to support alternative planting regimes and to recognise the multiple potential benefits that permanent forests can provide. B+LNZ supports options which integrate permanent forests where appropriate into the landscape and welcomes opportunities to discuss ways of incentivising biodiversity and integrated land management.

6.1.2 Incorporating carbon farming and production forestry into sheep and beef farming systems can optimise land use, deliver food and fibre production within environmental limits, encourage vibrant rural communities, contribute to New Zealand's GDP, help to offset carbon emission, and improve habitat for native flora and fauna etc.

6.1.3 We support the inclusion of conditions on land use changes to forest vegetation to ensure that the long-term effects, viability, and resilience of this land use is maintained. This condition must sit across multiple policy approaches but can make a particular impact if included within the NZ ETS.

6.1.4 This should be done within the permanent forest category but also within all categories of forestry in the ETS. Although conditions are currently placed on forests under the NES-PF, given the rising price of carbon it is likely that forests intended for harvest could be converted to carbon only forests with little to no management.

Questions 7, 8, 9, 10,11, and 12

Options to manage permanent afforestation

7. Of these options, what is your preferred approach? Why? Are there other options you prefer, that we haven't considered?

Timeframes

8. Do you agree with our preferred approach (acting before 1 January 2023)? Why/why not? If not, what is your preference?

Comparing Option 3a (exceptions by secondary legislation) and Option 3b (exceptions after a moratorium)

9. Do you support exceptions by regulations [option 3a] or exceptions after a moratorium [option 3b]? Why?

10. If we choose to introduce exceptions by regulations, what conditions or criteria should be placed on the Minister in choosing to pursue these?

11. If we choose a moratorium (Option 3b) – how long should it be? Why?

12. Do you think a different type of moratorium (whether it requires a decision to be ended/continued) would have different impacts? Or do you prefer a different approach?

7.1 Response Questions 7, 8, 9, 10,11, and 12

7.1.1 B+LNZ prefer Option 3b to introduce a moratorium to provide enough time for a comprehensive exemptions/standards regime for exotic forest species to be developed. We do not want to see monoculture and expansive carbon forest plantations, especially in inappropriate places, and conditions will need to prevent this.

7.1.2 Action must be taken now. The only thing stopping even greater expansion than what we have seen is seedling supply.

7.1.3 B+LNZ are concerned that the detail of any conditions/standards could be effectively written and tested in time for the inclusion of permanent exotics in January 2023.

7.1.4 B+LNZ strongly support a moratorium for the inclusion of exotic species in the 'Permanent Forest' category of the NZ ETS, in place for at least two years (1 Jan 2025). This gives sufficient time for the Government to work with the forestry and agricultural industries, carbon foresters, iwi, and particularly effected community groups, to modify the NZ ETS to better address the impacts of large-scale afforestation more broadly. This additional time will also provide an opportunity to align the NZ ETS with required changes to implement He Waka Eke Noa (HWEN).

Note B+LNZ support allowing native forestry options to commence in the permanent forest category 1 Jan 2023 while exotics would be effectively delayed until 1 Jan 2025.

Note We accept that a moratorium may have impacts on individuals, Iwi, and investors whose visions for sustainable and integrated land management we share. These impacts could be especially pronounced for some of our Māori levy payers, whose land may be especially well suited to permanent forests or who wish to use exotic forests as a means of transitioning to native regeneration. We look

forward to discussing how best to manage the impacts of a moratorium on these groups.

7.2 Other options that should be considered include

7.2.1 Cap on total emissions off-set through planting -

A cap on the total allowable emissions able to be offset or mitigated using large scale or exotic plantings, is in effect an allocation of carbon offsets through large scale afforestation and exotic forestry. This could be considered and would potentially drive the carbon market towards natives with multiple outcomes within existing landscape systems.

7.2.2 Consenting Large Scale Exotic Afforestation –

While not ideal from an administrative or compliance perspective a consent could be required, either from the EPA or Regional Council, for large scale afforestation. The definition of 'large-scale' needs to be decided upon but carbon forestry operations could also be included within the NES-PF conditions, or a new NES-Carbon Forestry could be developed if suitable.

7.2.3 Advise and encouragement –

Provide a programme of advice and encouragement to influence landowners with potential afforestation opportunities and those with existing carbon forests to better manage the externalities of their operations.

7.2.4 Land regeneration/ land management bond –

To address the long-term risk of neglect, change in ownership or companies divesting themselves of their on-ground responsibilities to manage the impacts of afforestation a surety bond could be held by the Government. This could help fund any failure to adequately undertake the necessary land management defined under the NZ ETS obligations and be required regardless of planting location or ownership structure**.**

7.2.5 Assurances of effective implementation

Regardless of the tools chosen to manage the risks associated with carbon forestry, we must ensure effective implementation, evaluation, compliance, and review.

Questions 13, 14, 15, 16, 17, 18, 19

Implementing changes to the permanent forest category

13. Currently the NZ ETS defines forests based on the predominant species in a hectare. However, forests change makeup over time. Do you think this definition of

exotic and/or indigenous forests is appropriate for the permanent post-1989 category in the NZ ETS?

14. What level of exotic species in a forest would be acceptable for the forest to still be classified as an indigenous forest, and registered in the permanent post-1989 category in the NZ ETS?

15. If Forest changes from indigenous to exotic while registered in the permanent category, do you think it should be removed from the category (Option 1), or be treated as indigenous (Option 2)? Why? Are there other options we haven't considered?

16. If we choose to remove forests which have become predominantly exotic over time from the category, how do you think we should do this? Why?

17. If exotic forests are removed from the permanent category, what would an appropriate penalty be for clearing the forest before the end of the permanent period? Do you think the current penalty needs updating?

18. Are you a PFSI convent holder?

19. Do you agree with the proposal to allow exotic forest land in the PFSI to transition into the permanent post-1989 forestry activity, or would another approach be more suitable?

8.0 Response to Questions 13, 14, 15, 16, 17, 18, 19

8.1 We do not have any firm views on the definition of 'native' and 'exotic' as currently used.

8.2 If there is a change in species or management, this should be reflected in the forest management plan and carbon allocation rates adjusted accordingly. Changes should be notified by participants to Te Uru Rakau every 5 years as part of the Mandatory Emissions Returns process. Audit and verification of these claims will need to also occur.

8.3 The current way that the NZ ETS defines forests based on the predominant species in a hectare can remain under the proposed standards regime.

8.4 Some of our members are PFSI convent holders and we believe that they should have the opportunity to remain in the permanent category with additional support provided to them to comply with the new standards/exemptions if they wish.

Questions 20, 21, 22, 23, 24, 25

Long rotation category under averaging accounting

20. Should the Government create a long rotation category under averaging accounting for Pinus radiata forests which are not profitable to harvest at age 28, recognising the additional carbon which is likely to be stored by these long rotation forests?

21. What do you think the impacts of introducing a long rotation category as proposed would be? Do you think forests in this category are likely to be harvested? Are measures needed to prevent forests in a long rotation category being left permanently and never harvested, or to mitigate potential adverse effects of these forests being left permanently?

23. What criteria should be in place to restrict the category to Pinus radiata forests which are not profitable to harvest at age 28?

24. Do you think a long rotation category aligns with the proposed changes to the permanent activity and supports the Governments wider forestry objectives?

25. Are there alternative options to a long-rotation forest category that could be more effective at addressing the concerns raised by stakeholders about remote and marginal land and that align with the Government's forestry objectives?

9.0 Response to Questions 20, 21, 22, 23, 24,25

9.1 We are generally supportive of a long-rotation category for exotic plantation forests although we have limited views on the length of 'maximum' rotation and encourage further discussion with submitters on this topic.

9.2 We suggest that such a category is considered but are unsure if the current NES-PF standards will manage all the risks as see. We seek alignment with the same, or very similar, carbon forestry management standards/conditions to be adopted in the long-term rotation harvest category. This could be very similar to the conditions for the permanent forest category.

9.3 Our advice is that the economics of long-term average rotation and how very similar this is to exotic permeant forestry thus highlighting the potential for carbon forestry investors 'playing' in this category as an alternative to the permanent category.

9.4 We understand that other submitters have suggested a 50yr vs 40yr rotation length. We support expert review of these proposals.

Questions 26

Incentivising indigenous afforestation [Optional]

26. Do you have any further feedback on how the Government can reduce barriers and incentivise to permanent indigenous afforestation to ensure we deliver long-term resilient, biodiverse forests?

10.0 Response to Question 26

10.1 Yes, all options stated will be required and must be effectively implemented.

10.2 We encourage changes to the ETS application processes to make it easier to enter forests. An example would be a free pre-application assessment

about what vegetation is eligible before going through the whole application process.

10.3 We recommend that the inclusion of pre-1990 native vegetation is considered in the ETS. We understand that this process may take time and we are unsure if it would be possible to have this new category in the ETS by 1 January 2025. This needs further consideration.

10.4 Incentive payments for establishing native plantings and the support infrastructure required to get this done (i.e., nurseries, planting plans, fencing etc.) must be supported. This could be similar to the One Billion Trees programme but must learn from the experience with the implementation of this programme.

10.5 We support stronger recognition of the values that native forests provide (including biodiversity) but we are unsure if providing greater carbon credits is the best way to do this. Again, opportunities for further discussion on this would be welcome.