

‘The right tree,  
in the right  
place, for the  
right reason.’



# Managing exotic afforestation incentives

Local Government New Zealand’s submission on proposals to change forestry settings in the New Zealand Emissions Trading Scheme

April 2022

## We are. LGNZ.

We are. LGNZ. Local Government New Zealand (LGNZ) provides the vision and voice for local democracy in Aotearoa, in pursuit of the most active and inclusive local democracy in the world. LGNZ supports and advocates for our member councils across New Zealand, ensuring the needs and priorities of their communities are heard at the highest levels of central government. We also promote the good governance of councils and communities, as well as providing business support, advice, and training to our members.

## Summary

Forests are hugely significant to our economy, Māori, and wider communities, and form a key part in supporting New Zealand's climate response. However, local government is concerned that the current regulatory settings for carbon forestry are having negative impacts on community wellbeing, indigenous biodiversity, and the rural economy, while doing little to tackle climate change.

The Ministry of Primary Industries (MPI) is proposing changes to the New Zealand Emissions Trading Scheme (NZ ETS) that could see future permanent plantings of exotic forests, like radiata pine, excluded from the NZ ETS.

LGNZ commends the Government's approach to ensuring the policy settings for carbon farming support positive environmental, economic and community outcomes for New Zealand, while ensuring urgent progress on the critical pathway to net zero emissions. LGNZ supports Option 3(A) as set out in the Government's *Managing exotic afforestation incentives* discussion document, which will remove the ability to register exotic species within the permanent forest category of the NZ ETS – with exceptions to be set out in secondary legislation. This would support a nationally consistent approach to the NZ ETS, and provide an avenue to:

- enable local approaches to carbon farming;
- support whenua Māori to practice kaitiaki, tino rangatiratanga and benefit from the NZ ETS; and
- support the transition from an exotic species to indigenous species.

Central government must facilitate and engage in a wider conversation with local government and iwi/hapū on their aspirations for carbon forestry, and how these aspirations could be given effect to through the Government's broader forestry work programme.

## Local Government concerns with exotic forests

Rural communities are concerned permanent exotic forests are increasingly displacing other productive land uses. This includes changes in land use from production forests and pastoral farming, as landowners and investors seek higher returns by establishing permanent exotic forests as carbon prices increase. These changes work against the economic and social wellbeing outcomes and prosperity sought by local communities.

Poorly managed and planned permanent pine forestry removes productive farmland for one or more generations. This can result in low long-term economic activity. Carbon farming creates very few jobs, displaces productive agricultural uses and their support services, which can erode people's sense of place and put rural communities at risk of collapse. Wider externalities of poorly managed carbon forestry are also borne by local communities (such as fire hazards, pest control, loss of biodiversity, road maintenance and declining school rolls). Harvesting pine plantations can also damage rivers, marine environments (Tolaga Bay for example), and other land uses.

However, we are not opposed to the expansion of forests around the country. Local government recognises the critical role forests play in sequestering carbon, helping us to meet our climate targets. But councils do want to ensure that any land use changes in their communities are sustainable, and create positive outcomes for communities' sense of place, indigenous biodiversity and local economies – for current and future generations. We encourage the Government to give greater prominence to community wellbeing in its review of the NZ ETS.

## We support Option 3(A) – to remove exotic forests from the NZ ETS, with exceptions

LGNZ supports Option 3(A) as set out in the Government's Managing exotic afforestation incentives discussion document, which will remove the ability to register exotic species within the permanent forest category of the NZ ETS – with exceptions to be set out in secondary legislation.

There is a role for permanent forests in New Zealand, particularly indigenous forestry. The incoming 'Permanent Forest' category in the NZ ETS (due in early 2023) should be reserved for native forests, and native species be awarded at least as many New Zealand Units as pine plantations.

Re-establishing indigenous forests will improve biodiversity outcomes and longer-term carbon storage compared to exotic forests. Well-managed indigenous forests are self-sustaining and slower growing, but continuous at sequestering carbon compared to the relatively short lifespan of pines. Permanent native forests can also protect erosion prone land and riparian corridors, while earning a reasonable income from the carbon sequestered and enhance native biodiversity.

### There may also be some circumstances where exotics are appropriate

*Pinus radiata* are quick and low-cost to establish; cope with steep, infertile slopes; have a fast sequestration rate; and provide high, direct economic returns when registered in the NZ ETS. However, there are significant trade-offs for surrounding communities, their economies and environments in the long-term.

*Pinus radiata* and other exotic species should not be discounted as an effective component of the initial short (20 years) step change in a bigger intergenerational transition to indigenous species. NZ ETS credits could be scaled to reflect this transitional approach. Under this approach all existing pine forestry could be considered transitional.

There might also be a case for planting permanent exotics on certain steep, erodible hill country. Territorial authorities or regional councils have the expertise and local knowledge that makes them best placed to determine what land might be suitable for exotic planting in these instances. Under a national 'Right Tree Right Place Right Time' framework which sets clear policy direction, councils could then direct local implementation that suits local circumstances.

While we potentially support exemptions that would allow for exotic forests to qualify as 'permanent forests' in the NZ ETS in some circumstances, this requires more engagement beyond this current consultation round. It is critical that councils, iwi, farmers and other landowners have enough time to consider the full implications and costs of the proposed changes for them and their communities.

### Māori forestry ventures should be given some exemptions

Māori have significant interests in forests as owners and kaitiaki. Around 230,000 hectares of Māori land has been identified as well suited to forests – and could qualify for registration under the NZ ETS. Of this, at least 146,000 hectares have been identified as marginal for typical production forestry.

This land suited to permanent forestry or long rotation forestry presents opportunity for Māori to benefit from the NZ ETS. However, there is an inability to borrow money against collectively owned Māori land (both freehold and Treaty settlement) which restricts ability to invest in and benefit from forestry under the NZ ETS.

Māori landowners and forestry ventures should not be further disadvantaged by any changes to settings. Government should work to rectify the historic and institutionalised barriers to Māori effectively engaging in the ETS, allowing increasing profitability and improvement to their (often) marginal land.

### We do not support the other options set out in the discussion paper

While removing exotic forests from the NZ ETS with no exceptions (Option 2) is the simplest to implement from a regulatory and forestry-owner perspective, LGNZ considers that this option would further disadvantage mana whenua as landowners. The Government should redress some of the historic and institutionalised barriers to Māori effectively engaging in the NZ ETS, allowing them to improve and increase the profitability of their (often) marginal land.

Option 2 also reduces the ability for local communities and councils to determine local solutions for the adoption and management of carbon forestry. The ability for exotic forest to be used as transitional forestry for indigenous forests is also removed under Option 2.

The paper also proposes that a moratorium for exotic forests be introduced while an exemptions regime is explored (Option 3b). This option is undesirable as it may signal to forestry owners that exotic forests could be reintroduced into the NZ ETS in the future (and so incentivise their planting). It may also slow down the process for developing an exemptions regime, which would

increase the levels of uncertainty for forestry owners, in addition to the issues presented by Option 2.

### LGNZ recommends that further thought be given to the proposed start date

LGNZ considers that a later start date (for example, 1 January 2024) for the new permanent forest category to go live may be more appropriate than 1 January 2023. Considerable engagement is required to develop a holistic, joined-up approach to the overarching legislative frameworks and incentives that impact on land-use planning, which include the NZ ETS. It is critical that councils, iwi/Māori, farmers and other landowners have enough time to consider the full implications and costs of the proposed changes for them and their communities.

We see value in consulting on secondary regulations as legislation is passing through the House – so that stakeholders, including local government and Māori, have sufficient time to engage with and submit on the changes in their entirety. A slight delay to introducing legislation is also unlikely to impact the desired outcomes for carbon forestry, as signalling that ‘change is coming’ will likely influence forest owners’ behaviour prior to legislative change.

The Government could alternatively allow for indigenous forest to be included in the permanent forestry category of the NZ ETS prior to an exemption regime being developed for exotic forests. However, if this route is adopted the Government may need to consider how this would impact those forest owners that rely on exotic or mixed-use forests to transition to a fully indigenous carbon forest.

## Recommendations for the forestry regulatory framework

### The Government should incentivise indigenous afforestation

The planting of native forests should be incentivised in addition to changes to the NZ ETS, in particular for marginal land. Embracing tikanga Māori approaches – including kaitiakitanga (intergenerational sustainability), manaakitanga (care and reciprocity) and whanaungatanga (connectedness and relationships) would give farmers and other landowners, including iwi, a realistic option to enhance their land, waters and communities with permanent native forest, while earning a reasonable income for the carbon sequestered and the biodiversity enhanced.

Establishing and maintaining indigenous native forest will be prohibitively expensive for landowners and that there are additional factors (pest and weed control for example) associated with establishing indigenous forests. Financial incentives (rates rebates, subsidies, grants) and technical support will be required to increase native afforestation.

### The Government should consider limiting off-setting activities

With an oversupply of forest offsets in the NZ ETS it is less likely emitters will reduce their gross emissions. The system settings must ensure that emissions reductions are incentivised ahead of offsetting (as recommended by the Climate Change Commission).

We welcome further conversation with the Government, iwi/hapū and industry on how the system settings could be changed to support a reduction in gross emissions.

The Government's aspirations for a Zero Carbon 2050 can only be realised if a holistic, joined-up approach is taken to the overarching legislative frameworks and incentives that impact on land-use planning, which include the NZ ETS.

### National direction for forests

LGNZ was involved in the development of *Managing Forestry Land-Use under the influence of Carbon: A Green Paper* and agrees with the position set out in that Green Paper that there needs to be a better strategic framework to respond to the complex nature of the impacts of carbon farming. Work to achieve this could include:

- Revising the National Environment Standard for Plantation Forests to include carbon farms, which are currently unregulated, and transitional carbon forestry.
- Adding carbon farming as an inappropriate land use under the National Policy Statement for Highly Productive Land.
- Requiring forest management plans to be developed in parallel with farm management plans, creating a level playing field for these land uses.
- Introducing a national approach to rating and valuation mechanisms to differentiate between production/harvested/mixed and native/exotic/mixed, during productive/earning years and after.
- A national steer on covering costs from forestry-related roading activity is also required.

## Alignment with the broader reform and other work programmes

LGNZ's position is that the Government must facilitate a broader conversation with local government, iwi/hapū and communities around how its forestry work programme intersects and aligns with its other reform programmes, in particular the Resource Management Reform, Future for Local Government Review and the Government's climate change work programme. This could include looking at how the Resource Management Reform could empower local government, iwi/hapū and communities to identify what types of land are suitable for particular activities (for example, large scale afforestation or hill country sheep and beef farming; pastoral farming versus carbon farming) and having the power to decide where exotics are planted.

### LGNZ contact

Please contact Fraser Pearce ([fraser.pearce@lgnz.co.nz](mailto:fraser.pearce@lgnz.co.nz)) for further information or queries on the content of this submission.