

11 August 2023

NZS review
Ministry for the Environment
PO Box 10362
Wellington 6143

Redesigning the NZ ETS permanent forest category consultation
Ministry for Primary Industries
PO Box 2526
Wellington 6140

Tēnā kōrua

**JOINT FEEDBACK ON THE REVIEW OF THE NEW ZEALAND EMISSIONS TRADING SCHEME
DISCUSSION DOCUMENT AND THE REDESIGNED NZ ETS PERMANENT FOREST CATEGORY
DISCUSSION DOCUMENT**

Thank you for the opportunity to provide feedback on both the review of the New Zealand Emissions Trading Scheme discussion document and the redesigned NZ ETS Permanent Forest Category discussion document. Our feedback on each discussion document is summarised in the attached appendices.

Many thanks for the opportunity to provide feedback on both discussion documents and potential changes to the NZ ETS.

Ngā mihi,



Iain Maxwell
Group Manager Integrated Catchment Management

Address for service:

Hawke's Bay Regional Council
Attn: Liam Glading
Intermediate Policy Planner
e: Liam.Glading@hbrc.govt.nz
p: 06 835 9200

APPENDIX ONE – FEEDBACK ON THE REVIEW OF THE NEW ZEALAND EMISSIONS TRADING SCHEME

| Ref | Question | Feedback |
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| 2.1 | Do you agree with the assessment of reduction and removals that the NZ ETS is expected to drive in the short, medium, and long term? | - |
| 2.2 | Do you have any evidence you can share about gross emitter behaviour (sector specific, if possible) in response to NZU prices? | - |
| 2.3 | Do you have any evidence you can share about land owner and forest investment behaviour in response to NZU prices? | - Yes, volatility in carbon prices increases the risk for investors/farmers and decreases uptake – ref Land for Live pilot farm processes and associated farmer/market engagement. Lower carbon prices disincentivise an appropriate mix of 'right tree right place' behaviour, favouring faster sequestering varieties over indigenous plantings in the mix of appropriate tree mix selection at the farm and catchment scale |
| 2.4 | Do you agree with the summary of the impacts of exotic afforestation? Why/why not? | Yes, the council agrees with the impacts on land-use change and flexibility being limited by permanent forestry. |
| 3.1 | Do you agree with the case for driving gross emissions reductions through the NZ ETS? Why/why not? In your answer, please provide information on the costs of emissions reductions. | Yes, driving gross emissions reductions through the revised ETS should encourage industry sectors to invest in low-emissions technology and infrastructure, reducing gross emissions (if priced correctly). Ultimately emissions reductions are more beneficial than removals and carrying on under BAU. |
| 3.2 | Do you agree with our assessment of the cost impacts of a higher emissions price? Why/why not? | Yes, higher NZ ETS prices should encourage reductions in gross emissions through industry switching to low-emissions technology or infrastructure as the most cost-effective decision. However, the price of the NZ ETS cannot be increased too high as this could also cause a shift in production offshore to countries without emissions-pricing policies. Reduced volatility and stable policy settings are needed to de-risk investment and improve uptake of afforestation |
| 3.3 | How important do you think it is that we maintain incentives for removals? Why? | Very important. Though removals are not emissions reductions, they do play a significant role in helping reduce our net emissions, until emissions-reducing technologies are widely available and affordable and until sectors have transitioned to lower emissions practices. In the future there is a need to look at the promotion of indigenous forest afforestation (as a removal) to provide long-term permanent forest sinks alongside multiple outcomes such as biodiversity goals, natural hazard mitigation, and climate change adaption/mitigation/resilience. Incentivise native afforestation by paying more carbon credits for native. |
| 4.1 | Do you agree with the description of the different interests Māori have in the NZ ETS review? Why/why not? | Māori hold a substantial proportion of land that is marginal, however suitable for afforestation. There should be more incentives to support indigenous afforestation, protection, and regeneration. The current ETS incentivises pine forestry on this land and does not show value of existing important indigenous forests. |
| 4.2 | What other interests do you think are important? What has been missed? | - |
| 4.3 | How should these interests be balanced against one another or prioritised, or both? | - |

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| 4.4 | What opportunities for Māori do you see in the NZ ETS review? If any, how could these be realised? | Large tracts of whenua Māori contain indigenous forest, this should be rewarded and supported financially, helping promote indigenous afforestation on marginal land. |
| 5.1 | Do you agree with the Government's primary objective for the NZ ETS review to consider whether to prioritise gross emissions reductions in the NZ ETS, while maintaining support for removals? Why/why not? | Yes, emissions reductions are the most important outcome for long-term emissions targets and should be prioritised. Removals (forestry) are still key in managing short-term net emissions and are also an important industry here in NZ. |
| 5.2 | Do you agree that the NZ ETS should support more gross emissions reductions by incentivising the uptake of low-emissions technology, energy efficiency measures, and other abatement opportunities as quickly as real-world supply constraints allow? Why/why not? | Yes, reductions in emissions are where long-term gains are found. Removals are an important short-term tool but not the long-term solution. This would also mean we would deal with emissions 'quickly' instead of delaying emissions reductions which would inevitably have to be implemented (as removals cannot continue to keep up). Supporting the education and supply chain constraints for resilient afforestation methods will increase uptake. |
| 5.3 | Do you agree that the NZ ETS should drive levels of emissions removals that are sufficient to help meet Aotearoa New Zealand's climate change goals in the short to medium term and provide a sink for hard-to-abate emissions in the longer term? Why/why not? | Agree in part - the NZ ETS should in the first instance prioritise emissions reductions. Removals play a key role in short to medium term, but not the long-term solution. Additionally, the ETS should drive these solutions in a way that ensures mass afforestation is not carried out inappropriately or seen as an 'easy default' when it comes to carbon management. |
| 5.4 | Do you agree with the primary assessment criteria and key considerations used to assess options in this consultation? Are there any you consider more important and why? Please provide any evidence you have. | - |
| 5.5 | Are there any additional criteria or considerations that should be taken into account? | Additional criteria could include multi-benefit nature-based considerations such as indigenous afforestation which supports emissions removals and biodiversity outcomes, or wetland restoration/creation supporting biodiversity, emissions removals, and flood attenuation. Healthy wetlands are known to store vast amounts of carbon due to anaerobic processes which enable accumulation of organic matter in the soil. Although they only cover about 3% of the earth's land surface, wetlands store twice as much carbon as all the world's forests combined ¹ (31% of the earth's land surface). Drainage of wetlands for agriculture, urban expansion and other developments has led to the release of carbon into the atmosphere ² . Restoring wetlands, therefore, is an effective way to facilitate long-term carbon storage. |
| 6.1 | Which option do you believe aligns the best with the primary objectives to prioritise gross emissions reductions while maintaining support for removals outlined in chapter 5? | Option 4 – see further elaboration in 6.3 |
| 6.2 | Do you agree with how the options have been assessed | Yes, the review of each option has a summary that looks at the impact of each option on each of the considerations outlined in chapter 5. |

¹ <https://www.eli.org.nz/research-legal-cases/managing-wetlands>

² Soil carbon stocks in wetlands of New Zealand and impact of land conversion since European settlement (2015)

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| | with respect to the key considerations outlined in chapter 5? Why/why not? Please provide any evidence you have. | |
| 6.3 | Of the four options proposed, which one do you prefer? Why? | Option 4. This prioritises emissions reductions aligning with the primary objectives of this review. Option 4 creates two separate markets for both reductions and removals, allowing both to play a role. Prioritising reductions, while still incentivising removals (depending on price). |
| 6.4 | Are there any additional options that you believe the review should consider? Why? | - |
| 6.5 | Based on your preferred option(s), what other policies do you believe are required to manage any impacts of the proposal? | - |
| 6.6 | Do you agree with the assessment of how the different options might impact Māori? Have any impacts have been missed, and which are most important? | - |
| 7.1 | Should the incentives in the NZ ETS be changed to prioritise removals with environmental co-benefits such as indigenous afforestation? Why/Why not? | Yes, incentives should be strengthened to prioritise removals with environmental co-benefits helping meet multiple environmental targets/outcomes. |
| 7.2 | If the NZ ETS is used to support wider co-benefits, which of the options outlined in chapter 6 do you think would provide the greatest opportunity to achieve this? | Either option 2 or option 3. |
| 7.3 | Should a wider range of removals be included in the NZ ETS? Why/Why not? | Yes, the restoration and re-creation of wetlands that provide both emissions removals, biodiversity outcomes, and flood attenuation. |
| 7.4 | What other mechanisms do you consider could be effective in rewarding co-benefits or recognising other sources of removals? Why? | - |

APPENDIX TWO – FEEDBACK ON THE REDESIGNED NZ ETS PERMANENT FOREST CATEGORY

| Ref | Question | Feedback |
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| 1 | How do you think the Inquiry's recommendations should be reflected in proposals to redesign the permanent forest category? | The inquiry heavily criticised the management of highly erodible land in part of our region and emphasised the importance of indigenous forest ³ . Redesigning the permanent forest category to more effectively incentivise indigenous vegetation would have many co-benefits for biodiversity. Part of this needs to be practical and economically viable ways of transitioning existing exotic forest to indigenous forest. |
| 2 | Do you agree with our assessment criteria for the redesigned permanent forest category? If not, what would you change and why? | Agree in part – there is an issue with ongoing funding and economic viability for active long-term management of permanent forests. There will need to be incentives for future investment for clean-ups and tree management in the longer term including as forests are subject to future storms, pest control, fire and other land use related issues such as windthrow and erosion, off-site forest debris impacts, and impacts on infrastructure. |
| 3 | Do you think any of these criteria are more important than the others? If so, which criteria and why? | All the criteria relate and support each other. It is difficult to specify one as more important than another due to their inherent interconnectedness. Additionally, criteria 1 specifies indigenous forests while 2 through 5 do not specify what type of permanent forest. This question is not overly useful. |
| 4 | Of these options, what is your preferred approach? Why? Are there other options you prefer, that we haven't considered? | Option 1.2. This option still caters for exotic forestry, providing some restrictions. It also promotes indigenous afforestation in other non-restricted areas and transition forestry. This would seem to promote both short and long-term emissions removals alongside environmental gains. (Discuss the ideal vs. reality) |
| 5 | If you support allowing exotic species under limited circumstances, how do you think your preferred 'limited circumstance' should be defined? | Limited circumstances should relate to location and land-type e.g., highly erodible land (geology), longevity of tree species, location of waterways, size (mosaic planting), percentage of exotic forest within the region, etc. Driving whole farm afforestation is not good, we need to retain our productive pasture land. There should be ongoing support provided for spaced planting where it appropriately protects soil erosion, maintains productive pasture land and increases carbon sequestration. |
| 6 | Do you think there is an opportunity to use permanent forests to stabilise erosion-prone land? | Yes, however permanent forests on erosion-prone land (erosion-prone land assumes definition as of LUC 6-8) should be restricted to indigenous forests (Evidence following Cyclone Gabrielle concluded in northern Hawke's Bay exotic forestry was less effective than predicted, reducing landslide probability by 60%, while indigenous forest maintained a normal reduction of 90%) ⁴ . There is extra difficulty and risk with establishment of indigenous forests and landowners would need extra support to ensure successful establishment, this needs to be recognised as important for future emissions budgets. |
| 7 | Do you think the Government should consider restricting the permanent forest category to exotic species with a low wilding risk? | Yes, this makes sense. Ideally, we would not be establishing permanent exotic forests that threaten to permanently alternative ecosystems, impact on grazing land, use water resources, and provide habitat for pest plants and animals. |
| 8 | Do you agree with the proposal for a specific carbon accounting method for transition forests? If you disagree, could you please provide the reasons why? If there are other options you think we should consider please list them. | Yes- there is significant risk associated with transition forests, especially with uncertain economics. Need to ensure will still be successful, especially if active management to transition is required in case carbon price falls or landowner walks away. Support for fencing/pest control of existing native remnants is important, it builds understory, providing for long-term protection and increase of the carbon sink capacity of the existing remnant forest. It also provides locally sourced seed and biodiversity to be naturally spread to neighbouring regenerating areas. |

³ <https://environment.govt.nz/assets/Outrage-to-Optimism-CORRECTED-17.05.pdf>

⁴ <https://environment.govt.nz/assets/Rapid-assessment-of-land-damage-Cyclone-Gabrielle-Manaaki-Whenua-Landcare-Research-report.pdf>

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| 9 | If you agree with the proposal for a specific carbon accounting method for transition forests, what do you think it needs to achieve? | Needs to provide security and less financial risk to the participant. The proposal needs to incentivise transition forests by providing less financial risk to the participant. |
| 10 | What do you think should occur if a forest does not transition from a predominately exotic to indigenous forest within 50 years? | They could incur penalties on carbon credits earned, or not receive any carbon credits to incentivise biodiversity outcomes. Another option could be implementing a 'bond' system |
| 11 | Of these options, what is your preferred approach? Why? Are there other options you prefer, that we haven't considered? | Option 3.2. This provides for all registered permanent forest categories which considers the differing requirements associated with each of the categories (e.g., pest control, weed control, fire risk etc). In the NES-PF, setbacks from wetlands and protection for SNAs are required. There needs to be similar mechanisms for transition forests |
| 12 | if there were to be additional management requirements for transition forests, what do you think they should be for? Why? | - |
| 13 | Do you think transition forests should be required to meet specific timebound milestones to demonstrate they are on a pathway to successful transition? | Yes. There should be a management plan where proposed timelines are met. |
| 14 | Do you agree with this proposal to allow transition forests to be permitted to clear-fell small coupes or strips to establish indigenous species? Why? And if you agree, what other restrictions should there be? | Yes. This is necessary to encourage indigenous plant growth. Additionally, needs to be consideration for risk of sediment entering waterways. |
| 15 | If forest management requirements are implemented, do you think these should be prescriptive or outcomes-focused? Why/Why not? | Outcomes focused. Location and forest types will be different, the management approach should reflect this (such as pest and weed control etc). There could also be a standardised timeframe for transition from exotic to indigenous, but management should be able to choose within such a timeframe what best suits. |
| 16 | What are your views on forest management plans? | Forestry management plans should be introduced for permanent forests. |
| 17 | What should forest management plans include? | Monitoring and managing risks, ensuring outcome focussed approaches, and a plan for transition if applicable. |
| 18 | Who do you think should be allowed to verify and/or monitor forest management plans? | - |
| 19 | How often do you think forest management plans should be re-verified? | - |
| 20 | What do you think should happen if there are not enough people to verify forest management plans? | - |
| 21 | Do you think the use of existing compliance tools are appropriate? | No- currently compliance can only charge a certain number of visits and therefore focus on high risk (e.g.: harvesting). Being able to do more at the afforestation stage would make a big difference to protection of wetlands etc |
| 22 | Do you think there should be new or expanded compliance tools for permanent forests? Which ones and why? | What tools are available for compliance officers to figure out the % of indigenous (e.g., 10% basal area made up of indigenous by year 10)? |

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| 23 | Are there other compliance options that you think we should consider? | Transition forests: due to the elevated risk of uncertainty and the variation, one compliance regime will not fit all . For example, not reaching a certain % by a certain time might not be due to lack of trying – may be other factors that are out of their control. Transition forests success will vary based on location, seed sources, exotic species (issue of resprouting), pests, weather events etc. |
| 24 | For the compliance tools you think we should have, when do you think they should be used? | - |