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Tēnā koe,

Waikato Regional Council Submission on the review of the New Zealand Emissions Trading Scheme (NZ ETS) and proposals to redesign the NZ ETS Permanent Forest Category

Thank you for the opportunity to submit on the review of the New Zealand Emissions Trading Scheme (NZ ETS) and proposals to redesign the NZ ETS Permanent Forest Category. Please find attached the Waikato Regional Council's (the council's) submission, endorsed by the Submissions Subcommittee under delegated authority on **2 August 2023**.

Should you have any queries regarding the content of this document please contact Annika Hamilton, Policy Advisor, Policy Implementation directly on (07) 859 0990 or by email Annika.hamilton@waikatoregion.govt.nz.

Regards,

Tracey May
Director Science, Policy and Information

Submission from Waikato Regional Council on the review of the New Zealand Emissions Trading Scheme (NZ ETS) and proposals to redesign the NZ ETS Permanent Forest Category

Introduction

1. We appreciate the opportunity to make a submission on the review of the New Zealand Emissions Trading Scheme (NZ ETS) and proposals to redesign the permanent forest category.
2. We recognise the importance of climate action in the current global and national setting and highlight that as a local government authority, many of our activities are impacted by climate change. This is particularly important given our role managing activities that contribute to the emission of greenhouse gases. The council also shares the view that well-informed policies and strategies are necessary to ensure that the country will meet the national targets set under the Climate Change Response Act 2002.
3. This submission covers two consultations: the review of the NZ ETS and the proposed redesign of the permanent forest category. We recognise that these topics are inter-linked and therefore our responses apply to both consultations.
4. For ease of reference, we have structured the submission following the chapters and questions in each discussion document. Our comments are in the attached table and we wish to highlight the following points:

Review of the New Zealand Emissions Trading Scheme

- 4.1. We support a review of the NZ ETS as recommended by the Climate Change Commission (the commission). The NZ ETS is a key tool in Aotearoa's response to climate change. We support options that will create separate incentives for gross emissions reductions and emissions removals.
- 4.2. We note option four would create two separate NZ ETS markets with separate prices. We consider this option would drive emission reductions as emitters would not be able to use forestry NZUs to pay for their emissions. We also prefer this option because it also allows the government to incentivise reductions and removals.
- 4.3. Our submission also advocates for the government to follow the commission's advice on price control settings. However, we note that since the submission was written, the government has announced new limits and price settings that are in line with the commission's advice. We therefore acknowledge that this submission point has now been addressed.
- 4.4. We consider the NZ ETS should incentivise removals with environmental co-benefits. We support the government's recent announcement signalling a reform to the NZ ETS to recognise all forms of carbon sinks, including wetlands.
- 4.5. We note that the NZ ETS has a direct impact on land use in the Waikato Region and caution against the unintended negative consequences associated with widespread exotic afforestation. The Waikato Regional Council does not advocate for one land use activity over another, such as the wholesale replacement of agricultural activities with forestry, rather it is supportive of both farming and forestry continuing in a sustainable manner where appropriate land is used to adjust to climate change impact.
- 4.6. We highlight the need for close collaboration between the forestry industry, central government, and local government to address infrastructure challenges. In the case of land use changes from

farming to forestry, the infrastructure will need to be reviewed and possibly retrofitted and this may increase costs for local authorities and rate payers.

Redesign of the permanent forest category in the NZ ETS

- 4.7. We support a redesign of the permanent forest category that will benefit indigenous afforestation and indigenous biodiversity. We advocate for a fit for purpose approach that encourages having the right tree in the right place for the right purpose.
 - 4.8. If exotic forests are allowed under limited circumstances, we advocate for an approach that is guided by the objective to mitigate any significant environmental, economic and social consequences associated with large-scale permanent exotic afforestation. For example, approaches that discourage monocultures.
 - 4.9. Finally, we strongly advocate for the government to provide certainty for the future system. Market participants need to plan tree life cycles and a stable market will provide greater incentives for GHG emitters to invest in emission reduction technology.
5. We look forward to future consultation process to incorporate the proposed amendments into relevant statutes and would welcome the opportunity to comment on any issues explored during their development.

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SUBMISSION ON THE REVIEW OF THE NZ ETS AND PROPOSALS TO REDESIGN THE NZ ETS PERMANENT FOREST CATEGORY

Review of the NZ ETS

Questions	WRC response
Chapter 2: Expected impact of the current NZ ETS	
2.1 Do you agree with the assessment of reductions and removals that the NZ ETS is expected to drive in the short, medium and long term?	<p>We agree that the NZ ETS will drive short-term reductions, but we do not consider the NZ ETS (in its current form) will drive reductions in the medium and long term. We refer to the commission's advice that the current structure of the NZ ETS is likely to result in extensive afforestation, allowing gross emissions to continue largely unabated.</p> <p>We recognise the NZ ETS is a key tool for addressing climate change in Aotearoa, however, it has not been allowed to act as an effective pricing mechanism. In particular, the price for the cost containment reserve has been kept lower than the commission recommended. This has limited the effectiveness of the mechanism to send a clear price signal.</p> <p>We strongly advocate for the government to follow the advice of the commission and provide certainty for the future system and price settings. Market participants need certainty to plan tree life cycles and a stable market will provide greater incentive for GHG emitters to invest in emission reduction technology.</p>
2.2 Do you have any evidence you can share about gross emitter behaviour (sector specific, if possible) in response to NZU prices?	See response to question 2.3 below.
2.3 Do you have any evidence you can share about landowner and forest investment behaviour in response to NZU prices?	<p>Our records on land use patterns suggest the NZU price has influenced land use behaviour in the Waikato Region. Between 2001 and 2008, approximately 21,000ha of production forests were cleared and converted to pasture in the region. This was in response to the relative price of dairy products compared to forest products. However, when the NZ ETS came into effect in 2008, clearance halted because it placed a price restraint on felling plantation forests that were not replanted as part of a planned rotation.</p> <p>When the new government introduced changes to the NZ ETS through the Climate Change (moderated emissions trading) Amendment Act in 2009, the price of NZUs dropped, effectively removing the financial impediment to deforestation. As a result, between 2008 to 2012, there was approximately 23,000ha of land converted from pine to pasture in the upper Waikato Catchment. This illustrates a strong correlation between NZU prices and land use patterns.</p>
2.4 Do you agree with the summary of the impacts of exotic afforestation? Why/why not?	We agree with the impacts of exotic afforestation detailed in the consultation document and we caution against the negative unintended consequences. We consider that widespread exotic afforestation could displace productive land use, impact economic and employment opportunities, and result in the potential uncontrolled spread of exotic trees in areas surrounding permanent forests planted with seeding species.

Questions	WRC response
	<p>We also note that the discussion document does not detail the impacts of widespread exotic forestry on infrastructure. For example, forestry could potentially have higher impacts on the roading network compared with other land use (despite lower frequency/use). There also needs to be more consideration of transport routes and transport options with regard to reducing GHG emissions from transport associated with forestry. Extensive afforestation will also impact water takes.</p>
<p>Chapter 3: Driving gross emissions reductions through the NZ ETS</p>	
<p>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.</p>	<p>Yes, we agree with the case for driving gross emissions reductions through the NZ ETS and acknowledge that it is a key tool for assisting Aotearoa New Zealand to meet its emissions budgets, 2050 target and Nationally Determined Contributions. However, we advocate for the government to follow the commission’s advice on price settings to ensure the NZ ETS can operate effectively and so that we don’t become over reliant on complementary policies.</p>
<p>3.2 Do you agree with our assessment of the cost impacts of a higher emissions price? Why/why not?</p>	<p>We consider the assessment presupposes that the costs of NZUs for the energy sector will simply be passed on to households. Whilst we recognise that there may be a period of transition, the NZ ETS should occasion behaviour that will reduce costs for households in the long-term. We refer to the commission’s draft advice where it states that increasing the speed of decarbonisation will likely save costs in the long run, particularly with regard to transport, space and water heating and process heat.¹</p> <p>The cost impacts of higher emission prices can also be addressed through complementary policies and do not necessarily need to be mitigated directly through carbon pricing.</p> <p>We acknowledge the assessment that a higher emissions price could result in emissions leakage and that offset options need to remain available for hard-to-abate emissions.</p>
<p>3.3 How important do you think it is that we maintain incentives for removals? Why?</p>	<p>We consider it will be important to maintain incentives for removal activities, including coupling incentives for removals with co-benefits.</p> <p>Incentives could be broadened to cover other types of removal activities through careful consideration. We support developing methods for tracking emissions and removals by sources and sinks not yet included in the country’s domestic or international target accounting, such as soils and biomass. We also recommend incentives for indigenous planting that will ultimately enhance eco-systems.</p>

¹ [CCC4940 Draft-ERP-Advice-2023-P02-V02-web.pdf \(climatecommission.govt.nz\)](#)

Questions	WRC response
	<p>However, we recognise these incentives don't all need to come through the NZ ETS and can be achieved through complementary policies and mechanisms. We note the government is exploring whether a biodiversity credit system could help to incentivise the protection and restoration of native wildlife in Aotearoa. This could be used as a mechanism outside the NZ ETS to support the protection or re-establishment of forests.²</p> <p>Costa Rica is an example of how incentives have driven compliance and forest conservation. Payments for emission reductions helped the country achieve its environmental accomplishments.³</p>
Chapter 4: Changes to the NZ ETS would be significant for Māori	
<p>4.1 Do you agree with the description of the different interests Māori have in the NZ ETS review? Why/why not?</p>	<p>We acknowledge the different interests Māori may have in the NZ ETS.</p> <p>NZ ETS reform provides an opportunity to help reduce present and future Māori socioeconomic inequities. However, it also presents a risk of exacerbating those inequities, as it might result in decisions around land use that decrease community resilience. The government will need to strike the right balance between limiting the use of marginal Māori land for planting permanent exotic forests and incentivising its use for transition to permanent indigenous forests.</p> <p>We refer to the statement made on page 46 of the discussion document - that increasing the cost of emissions is likely to affect the cost of living, including for whānau Māori. We acknowledge this risk and consider complementary policies outside the NZ ETS should be used to ensure these risks are identified and mitigated.</p>
<p>4.2 What other interests do you think are important? What has been missed?</p>	<p>The discussion document states that around 30 percent of Aotearoa New Zealand's 1.7 million hectares of plantation forestry is estimated to be on Māori land. The government needs to investigate and better understand how much of that plantation forestry the landowners are willing to put into permanent forestry. This information will help inform and tailor policies to either provide more benefits for indigenous forests and/or plan complementary policies to mitigate the risk factors associated with potential increases to households and costs of living.</p>
<p>4.3 How should these interests be balanced against one another or prioritised, or both?</p>	<p>We acknowledge the distinction between marginal land use opportunities and the economic incentives to plant rotation exotic and permanent exotic forest. Policy settings will need to incentivise marginal land use for transition and permanent indigenous forestry with a comparable and competitive economic return.</p>

² [Have your say on credit system to incentivise protection of biodiversity | Ministry for the Environment](#)

³ [Costa Rica's Forest Conservation Pays Off \(worldbank.org\)](#)

Questions	WRC response
4.4 What opportunities for Māori do you see in the NZ ETS review? If any, how could these be realised?	No further comment.
Chapter 5: Objectives and assessment criteria	
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, we agree with the primary objective of the review to prioritise gross emission reductions in the NZ ETS, while maintaining support for removals. We advocate for objectives that focus on reducing Aotearoa's emissions.
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?	<p>Yes, we agree that the NZ ETS should support more gross emissions reduction as quickly as real-world supply constraints allow. However, we note that whilst the NZ ETS is designed to provide a price signal to affect behaviour, there are other mechanisms that can be used to create these incentives. We refer to the 300+ actions that are included in the National Adaptation Plan and the Emissions Reduction Plan.</p> <p>We also caution against the NZUs being used as an investment vehicle. The purpose of the NZ ETS should be to reduce emissions and drive removals.</p>
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?	We agree that the NZ ETS should drive levels of emission removals that are sufficient to help meet Aotearoa New Zealand's climate goals in the short to medium term. We note however that if incentives for planting trees are removed, this will need to be balanced to ensure offsets remain an option for the hard-to-abate emissions.

Questions	WRC response
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.	No further comment.
5.6 Are there any additional criteria or considerations that should be taken into account?	We note the potential for interest from foreign investors in New Zealand forestry and related land for the purposes of carbon-based assets. We consider there may be some risks associated with loss of control relating to these investments.
Chapter 6: Options identification and analysis	
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?	<p>We consider option four best aligns with the primary objective to prioritise gross emission reductions while maintaining support for removals. However, we consider this option will not be effective if the government does not address the administrative shortcomings of the current system.</p> <p>We refer to the proactive release of the 2022 Cabinet Paper on the proposal to update the NZ ETS limits and price control settings.⁴ The Cabinet paper outlined the commission’s recommendations on price control settings. The commission recommended much higher and wider auction price control settings and advocated for a change to the structure of the Cost Containment Reserve. In the Cabinet paper, the Minister of Climate Change recommended following that advice in full.</p> <p>The current consultation doesn’t assess the proposals outlined in the 2022 Cabinet Paper, nor does the consultation document justify why these settings could not be followed. Without this analysis, there is a risk that we could be left with two inefficient markets.</p>
6.2 Do you agree with how the options have been assessed with respect to the key considerations outlined in chapter 5? Why/why not? Please provide any evidence you have.	<p>We agree with the assessments that have been made on each option, however, as noted above, we consider the consultation document fails to assess the current administration of the NZ ETS. We recommend the consultation assesses how administrative changes to the status quo (based on the commission’s advice) could affect emissions reductions.</p> <p>For example, we consider the trigger price for the cost containment reserve has been kept too low and does not reflect the commission’s advice. The current price settings give the market confidence that an additional supply of NZUs will become</p>

⁴ [nz-ets-settings-2022-cabinet-paper_redacted.pdf \(environment.govt.nz\)](#)

Questions	WRC response
	<p>available at a lower price. This does not incentivise emitters to decarbonise and a higher trigger price would drive emission reductions.</p> <p>We also consider that the issue of stockpiled units must be addressed. The stockpiling of units enables emitters to purchase units at a lower price and surrender those units against their emissions in the future (when the price of units is higher). This waters down the incentives to decarbonise. We acknowledge that there will be no appetite to retrospectively write off stockpiled units. However, this should be addressed to prevent it from occurring in the future. We recommend that the government introduces changes to the ETS settings to manage the number of units that emitters can stockpile and place a time period to surrender the units. We suggest the time period is linked to the emissions budget, for example, two emission budget terms.</p>
<p>6.3 Of the four options proposed, which one do you prefer? Why?</p>	<p>We consider that option four presents the greatest opportunity to incentivise reductions and removals, whilst continuing to drive down gross emissions. Option four would create two NZ ETS markets with separate prices: one for emissions reductions and another for removals.</p> <p>We support this approach because emitters would not be able to use forestry NZUs to ‘pay’ for their emissions. We also support this option because it recognises that reductions and removals should continue to be incentivised. However, for this option to operate effectively and achieve the intended purpose of the NZ ETS, we recommend the current system is reviewed to:</p> <ul style="list-style-type: none"> • Modify the rules that allow for the effective application of the cost containment reserve. • Regulate the number of units in the stockpile. • Place time limits on stockpiled units. <p>We also strongly advocate for the Government to follow the Commission’s advice on the NZ ETS price settings (and trigger price).</p> <p>We recommend that removals such as forestry are not taken out of the current market until such time as the separate removal market is established.</p>
<p>6.4 Are there any additional options that you believe the review should consider? Why?</p>	<p>As noted above, we advocate for an approach that first addresses the NZ ETS limits and price settings in the current system.</p>

Questions	WRC response
6.5 Based on your preferred option(s), what other policies do you believe are required to manage any impacts of the proposal?	We acknowledge that complementary policies will be required to drive down gross emissions and incentivise removals. Many of these policies are included in the Emissions Reduction Plan and in the commission's draft advice on the second emissions budget. To achieve the overall objective of reducing emissions, policy settings to complement the ETS should protect biodiversity, prevent soil erosion, and take a multi-species and multi-use approach to ensure sustainability in the future operating environment of our changing climate. It is also imperative that these policies are integrated with adaptation policies.
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?	We refer to our comments on the questions in chapter 4.
Chapter 7: Broader environmental outcomes and removal activities	
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, we support an approach that prioritises removals with environmental co-benefits such as indigenous afforestation. We support the government's recent announcement signalling a reform to the NZ ETS so it recognises all forms of carbon sinks, including recognition for wetlands, peatlands, mangroves and other non-forest land uses. We encourage research into quantifying carbon sinks for the purpose of the NZ ETS.
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?	We consider that option 4 would provide the greatest opportunity to achieve co-benefits. However, we also advocate for further analysis on how the ETS settings will interplay with the right policy mechanism for land use control. For example, there needs to be greater understanding of the relationship between unit pricing, and existing national policy statements and environmental standards, such as the NPS for Highly Productive land.
7.3 Should a wider range of removals be included in the NZ ETS? Why/Why not?	Yes, we advocate for a wider range of removals to be included in the NZ ETS, however, we consider these may need to be weighted differently.
7.4 What other mechanisms do you consider could be effective in rewarding co-benefits or recognising other sources of removals? Why?	One option could involve weighting the co-benefits used for purchasing NZUs. Other policy mechanisms outside the NZ ETS could include tax or rates relief for sources of removals.

Redesigned NZ ETS permanent forest category

Questions	WRC response
1: How do you think the Inquiry's recommendations could be reflected in proposals to redesign the permanent forest category?	The Inquiry's recommendations could be reflected in the proposed management plans and compliance tools. These could be used as a mechanism to manage slash and setback distances from waterways.
2: Do you agree with our assessment criteria for the redesigned permanent forest category? If not, what would you change and why?	<p>We agree with the criteria and outcomes identified. However, we recommend that criteria 3 (positive environment outcomes) includes reference to the forest's ability to support indigenous fauna. The criteria should also account for the significant risks posed by exotic forestry.</p> <p>We consider the government needs to demonstrate how the criteria will be assessed and how conflicts between the criteria will be managed. For example, whether there will be hierarchy. If there is to be a hierarchy of outcomes, we recommend that it is guided by the objectives to mitigate any significant environmental, economic and social consequences associated with large-scale permanent exotic afforestation.</p> <p>We support the outcome aimed at supporting Māori in their cultural, social, environmental, and economic aspirations for their land and the wellbeing of their communities. We caution against any unintended consequences that would make our regional communities, including Māori, worse off.</p> <p>We consider that the support for rural economies and communities should also reference cultural, social and environmental aspirations. Currently, this outcome only focusses on employment opportunities.</p>
3: Do you think any of these criteria are more important than the others? If so, which criteria and why?	<p>We note that the criteria is interlinked, however, priority should be given to criteria that aligns with the core purpose of the NZ ETS – to drive gross emission reductions at the scale and pace required to meet our climate change targets.</p> <p>Emphasis should also focus on outcomes that will provide for a vibrant economy, whilst protecting our natural resources. We refer to Te Oranga o te Taiao, a concept drawn from te ao Māori which supports the wellbeing of future generations without compromising the wellbeing of current generations.</p>
4: Of these options, what is your preferred approach? Why? Are there other options you prefer, that we haven't considered? (Note, options 1.2a and 1.2b are not mutually exclusive)	<p>We favour a mixture of options 1.1. and 1.2.</p> <p>Our preference is for the category to focus on transition forests and indigenous forests. Option 1.1 (which proposes to only include transition forests and indigenous forests) will pose less risk to the environment if undertaken with appropriate precautions.</p>

	<p>However, we recognise that the effects of climate change could make some exotic species and/or mixed forests more viable than indigenous forests in certain circumstances. For example, some exotic trees might be appropriate in areas where climate change makes it difficult to regenerate or recreate indigenous forests, while providing similar ecological benefits.⁵ There may also be opportunities to use permanent forests to stabilise erosion-prone land. Exotic species can also provide habitat for indigenous biodiversity e.g Macropodidae and bats. The circumstances in which exotic forests could be included in the category would however need to be supported by further research and investigation.</p> <p>Any exceptions to option 1.1 should be assessed against ‘the right tree in the right place’ concept and the outcomes and assessment criteria included in the discussion document.</p> <p>We also recommend another category for indigenous forests in perpetuity. However, further consideration may need to be given to how these are defined and accounted for.</p>
<p>5: If you support allowing exotic species under limited circumstances, how do you think your preferred ‘limited circumstance’ should be defined? (for example, if you support allowing long-lived exotics to register, how do you think we should define ‘long-lived’?)</p>	<p>The outcomes and assessment criteria should be used to define the circumstances in which exotic species are included under limited circumstances i.e. species that provide for long-term carbon sequestration; that help improve climate adaptation and resilience; and that provide positive environmental outcomes.</p> <p>We strongly advocate for an approach that will discourage monocultures and we suggest that the exclusions aren’t solely focused on individual species. Monocultures can increase the risk of disease, fire and extreme weather events. Therefore, the ‘limited circumstances’ need to account for wider considerations. Selecting a mix of species, rather than planting monoculture, is important as it improves biodiversity and creates habitats for indigenous wildlife.</p>
<p>6: Do you think there is an opportunity to use permanent forests to stabilize erosion-prone land?</p>	<p>Yes, we support exceptions where exotic planting can be used for erosion control. The right ratio of different species in a specific forest should be determined based on the scientific understanding of what guarantees a higher level of resilience.</p> <p>We note that consideration will need to be given to the time between harvest and replanting. During this time there is increased risk of erosion and different species will take different amounts of time to grow. Therefore, the type of species planted might impact the length of time that the land is at risk of erosion.</p>
<p>7: Do you think the Government should consider restricting the permanent forest category to exotic species with a low wilding risk?</p>	<p>Yes, we consider there is a significant risk with the potential uncontrolled spread of exotic trees in areas surrounding permanent forests. We also consider that there should some accountability from forest owners/managers associated with the risk of wilding pines.</p>

⁵ [Ten golden rules for reforestation to optimize carbon sequestration, biodiversity recovery and livelihood benefits \(wiley.com\)](https://onlinelibrary.wiley.com/doi/10.1111/gcb.14844)

<p>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.</p>	<p>We require further detail on the accounting methods proposed to make comment on this question.</p>
<p>9: If you agree with the proposal for a specific carbon accounting method for transition forests, what do you think it needs to achieve?</p>	<p>The carbon accounting method should achieve a healthy functioning ecosystem from transition forests.</p>
<p>10: What do you think should occur if a forest does not transition from a predominately exotic to indigenous forest within 50 years?</p>	<p>If a forest does not transition within 50 years, the units for the removal activity should be surrendered, and penalties should be calculated based on the unit value. A requirement to surrender NZUs will have cost implications for the forest owners/landowners and we consider this will be the most effective driver for compliance.</p> <p>We advocate however for a pragmatic approach, with consideration given to circumstances where natural hazards may cause setbacks, preventing the transition to indigenous forest within 50 years. For example, wild-fires and cyclones. Where this occurs, we consider the landowner/forest owner should be required to demonstrate a proposal to restore the work that has been done to transition the forest within four years. We have recommended a four-year period because the NZ ETS defines deforestation as not replanting after four years of clearing.⁶</p>
<p>11: Of these options, what is your preferred approach? Why? Are there other options you prefer, that we haven't considered?</p> <p>Page 29</p>	<p>We favour both option 3.2 and 3.3 which would introduce new minimum forest management requirements. However, option 3.3 is also favourable because it proposes new forest management requirements specifically for transition forests in the permanent forest category. We recognise that if a transition forest is not managed appropriately, it could become an unmanaged plant-and-leave exotic forest. However, to fully assess these options we would need to better understand the quantum of costs associated with the additional requirements. The costs associated with the requirements should not disincentivise work to transition forests.</p>
<p>12: If there were to be additional management requirements for transition forests, what do you think they should be for? Why?</p>	<p>We consider that any additional management requirements should be timebound to ensure regular review and compliance. In addition, we consider monitoring should occur in relation to any forestry management plans.</p> <p>The management requirements should also account for pest control monitoring and monitoring to ensure that seed dispersal mechanisms are established.</p>

⁶ Section 179 of the Climate Change Response (Emissions Trading) Amendment Act 2008

<p>13: Do you think transition forests should be required to meet specific timebound milestones to demonstrate they are on a pathway to successful transition?</p>	<p>Yes, we agree that transition forests should be required to meet specific timebound milestones to demonstrate their pathway to successful transition. If a landowner/forest owner does not meet their milestones we suggest providing a time allowance for achieving compliance before the forest is removed from the category/compliance measures are taken.</p> <p>The milestones should account for the type of forest, landscape and management of the forest.</p>
<p>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?</p>	<p>Yes, we agree with this proposal as this would establish indigenous regrowth and start to provide seed source for the forest to transition into indigenous dominated forest. We consider that decisions to clear-fell small coupes should fall under the forestry management plan and be subject to verification by a suitably qualified assessor.</p> <p>We note that many exotic forests have a native understorey, and these can be decimated during harvest. If the exotic understorey could be retained post-harvest, it would provide a quicker transition into indigenous forest.</p>
<p>15: If forest management requirements are implemented, do you think these should be prescriptive or outcomes-focused? Why/why not?</p>	<p>We consider there are benefits to both a prescriptive approach and an outcomes-based approach. An outcomes-based approach would allow for site specific results and encourage innovation. However, a prescriptive approach would allow for more certainty and would provide forest owners/landowners with clear expectations and guidance. We note that it may be difficult for forest management plans to be prescriptive with the variation of forest types and locations.</p>
<p>16: What are your views on forest management plans?</p>	<p>We support forest management plans as a means of implementing the requirements. We also note that forestry management plans could be informed by expert judgment, including forestry science and mātauranga Māori. This would enable planning for forests in the category that includes exotic species under limited circumstances, and we support a model that requires mitigation of the risks associated with these species.</p> <p>We also recognise that the NES-PF has existing requirements for forestry earthwork management plans, harvest plan specifications and quarry erosion and sediment plan specifications. However, we note that any changes to the NES-PF relating to forest management plans can only consider RMA matters. Forest management plans for forests in the forestry category of the NZ ETS will likely require an additional layer of complexity.</p>
<p>17: What should forest management plans include?</p>	<p>As noted above, forest management plans should include details on how site specific and species specific risks will be mitigated.</p>
<p>18: Who do you think should be allowed to verify forest management plans?</p>	<p>We advocate for verification of forest management plans by a central government agency. Te Uru Rākau – the New Zealand Forest Service would seem appropriate based on their expertise.</p>
<p>19: How often do you think forest management plans should be audited or verified?</p>	<p>We consider that there should be a regular audit or verification of forestry management plans to ensure they remain relevant and address any new and emerging risks. We suggest a five yearly review cycle.</p>

20: What do you think should happen if there are enough people to verify forest management plans?	There are a number of tertiary institutions that offer training for the forestry sector. Any shortages could be addressed by offering further educational training courses. However, we consider there are likely to be sufficiently skilled experts already within the industry that could verify forest management plans (noting that our preference is for the government to verify forestry management plan as opposed to consultants).
21: Do you think the use of existing compliance tools are appropriate?	As noted above, we consider that the units for the removal activity should be surrendered, and penalties should be calculated based on the unit value. A requirement to surrender NZUs will have cost implications for the forest owners/land owners and this is likely to be an effective driver of compliance.
22: Do you think there should be new or expanded compliance tools for permanent forests? Which ones and why?	No further comments on this question.
23: Are there other compliance options that you think we should consider?	No further comments on this question.
24: For the compliance tools you think we should have, when do you think they should be used?	No further comments on this question.