

18 November 2022

Ministry for the Environment and Ministry for Primary Industries
By email: mpi.forestry@mpi.govt.nz

Submission on Proposed national direction for plantation and exotic carbon afforestation

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy business group. We enable collaboration between the energy sector, government, and communities through and beyond the transition to a low-emissions economy.
2. This document constitutes our submission to the Ministry for the Environment and Ministry for Primary Industries (together 'the Ministries') proposals relating to national direction for plantation and exotic carbon afforestation. Our submission specifically relates to:
 - Part A: Proposal to extend the scope of regulatory controls to manage the environmental effects of exotic carbon forests; and
 - Part B: Options to extend the scope of regulatory controls to control the location of afforestation (plantation and exotic carbon) to manage social, cultural, and economic effects.

Overarching points

The proposals have identified the right tool for the job

3. In our April 2022 submission to *Managing Exotic Afforestation Incentives*, which included a proposal to exclude permanent exotic forestry from the Emissions Trading Scheme (ETS), we argued that there are better ways to address the undesirable effects of afforestation at the margins. We argued civil means are the first-best way to resolve preferences around land use. Put simply: if certain parties are concerned about how private land is used by its owner, and think it can be put to better use, those parties should buy the land.
4. Beyond this, if government considers adverse impacts at the margins will not be resolved through civil means, we argued the right tool is likely to be either pricing these externalities or using the land use regulatory regime.



5. We therefore welcome the current focus on the land use regulatory regime on the basis this is the right tool for the job. A blunt/blanket rule – such as excluding exotics from the ETS altogether – is in our view inferior to an approach that allows case-by-case effects-based decisions, which reflect the local context. Such an approach is more proportional and appropriate.

New Zealand should exercise care in limiting the critical role for afforestation in the low-emissions transition

6. New Zealand has a world-class ETS which incentivises price discovery within a quantity cap that will, over time, deliver a least-cost emissions reduction pathway in line with our 2050 national net zero emissions target. The ETS is currently agnostic as to where in the covered sectors emissions reductions occur, and as to what mix of gross reductions, removals, and offsets is used. This means forestry offsets can function as a ‘bridge’ to lower-cost abatement technology in the future.
7. Measures to constrain offset/removal options (such as limiting certain types of afforestation) will necessarily mean a higher-cost transition to 2050. Focusing disproportionately on gross emissions reductions (notwithstanding our target is net) risks driving the ETS price higher and faster than households and businesses’ ability to abate.¹ This risk is compounded given the labour, materials, supply chain, capital, and infrastructure pressures that the global energy transition will likely create.
8. The benefits of any measures to constrain abatement options should be weighed against this potential cost. An advantage of the proposals covered by this submission is that they enable this weighing of costs and benefits on a case-by-case basis.
9. Our overarching view is that a permissive approach should generally be taken, with restrictions on the location and scale of carbon forestry being the exception, not the rule.

Part A: Managing the environmental effects of exotic carbon forests

We support Option 2: Amend the NES-PF to include a new forest category - ‘exotic carbon forest’

10. Option 2 will establish consistency of treatment across afforestation. This addresses several potential regulatory gaps – such as the treatment of harvesting (harvesting can still occur in carbon forestry) and where the purpose of a forest shifts from plantation or permanent or vice versa over time. It will also help councils that, due to resourcing or capability constraints, require external guidance and support.

¹ On this point, we also highlight recent consultation on *Proposed Changes to NZ ETS limit and price control settings for units for 2022* which could enable significantly ETS price increases – our submission is available here: <https://www.energyresources.org.nz/dmsdocument/221>

11. We acknowledge Option 2 will mean less discretion for councils, but on balance consider that the benefits of increased consistency and certainty for forestry investors outweighs this.
12. We agree at a high level with how Table 2 in the consultation document presents the range of potential environmental effects from plantation and carbon afforestation, and the proposed ways in which regulatory controls would treat them (including allowing for differentiated treatment where warranted). We note there are a range of potential variables, including the forest management model used, but consider an NES-PF can accommodate this complexity.
13. However, we caution that there are risks in incorporating permanent forestry into an NES that was not originally intended to cover this activity. There are risks of scope creep in the amended NES, or the application of more stringent requirements or additional controls on production forestry (which is not the focus of the consultation). These risks should be carefully managed.
14. We expect further consultation would be undertaken on how these regulatory controls will be incorporated into the NES-PF.

We support further development of Option 3: Amend the NES-PF to require Forest Management Plans for exotic carbon forests

15. We support further development of this option, subject to further consultation once this work has been done. In principle we agree a well-designed, proportionate management plan could be used to demonstrate compliance with the requirements of the NES-PF. We caution, though, that it should not impose onerous or unnecessary administrative burden on forest owners.
16. We agree with the consultation document's assessment of the complexities and limitations of this proposal, restated briefly here:
 - the current NES-PF attaches management plans to time- and effects-bound activities, not the whole life cycle of a forest;
 - permitted activities should avoid becoming subject to fulfilment of resource consent type conditions and should not be dependent on decisions of a third party;
 - implementation and enforcement of management plans spanning decades will be complex, resource-intensive, and time-consuming, and may vary in effectiveness across councils; and
 - a management plan would need to ensure consistency with other regimes, including the ETS, and pest management and health and safety regimes.
17. Addressing these complexities must be a prerequisite to introducing a requirement for forest management plans.

Part B: Options to manage social, cultural, and economic effects of exotic carbon forests

Risks around inconsistent application and scope creep will need to be considered and managed

18. Our overriding preference is for a permissive approach – that is, restrictions on the location and scale of exotic carbon forestry, certainly beyond the RMA and proposed amended NES-PF, should be the exception. There is a risk that local plan rules discourage exotic afforestation where it could be suitable. While the consultation document notes there is currently no evidence this is happening, this situation should be monitored closely, particularly as more councils exercise their ability to introduce such rules.
19. More generally, the risk of inconsistent or arbitrary council approaches should be considered and weighed against the risk of unnecessarily prescriptive central guidance in national direction with a consent requirement.
20. Finally, we also note social, cultural, and economic effects will vary widely in their extent, impact, and evidential basis, and this raises uncertainty about how councils might deal with them. For example (refer Appendix D of the consultation document):
 - it is unclear how consenting decisions would consider, evidence, and mitigate the mental health impacts of afforestation where it is “experienced as rapid change beyond individuals’ control”; and
 - demand for forestry land is driving up rural land prices – though this is not an effect of afforestation itself but of changing economics for different land uses. It is not at all clear how such an effect could be incorporated into consenting for afforestation (and indeed we would argue it should not).

Conclusion

21. Afforestation is a legitimate, and critical, limb of our transition to a low-carbon economy.
22. We acknowledge that significant growth in afforestation, driven at least in part by rising ETS prices, may have either direct and/or indirect cumulative impacts on neighbouring landowners and communities. But our view, as articulated in previous submissions to the Ministries, is that where these cannot be managed through civil means, the right approach is to use targeted, case-by-case tools that manage those effects at the margin. Those tools should themselves be managed to ensure they are proportionate, effective, and efficient.
23. Given some of the alternatives – such as a blanket exclusion of exotic carbon forestry from the ETS – we support the proposals to bring exotic carbon forestry into the NES-PF for the purposes of managing environmental effects, noting the

compatibility issues this raises and the risks detailed above. Where efforts to limit the location and scale of forestry are concerned, our submission identifies some key risks and issues that need to be considered.