

7 July 2025

Environment Committee

via e-mail: environment@parliament.govt.nz

Submission on the Climate Change Response (Emissions Trading Scheme – Forestry Conversion) Amendment Bill

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios, such as the New Zealand Emissions Trading Scheme (the '**NZETS**'), forestry, and land-use change. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net-zero carbon emissions by 2050.
2. This document constitutes our submission on The Climate Change Response (Emissions Trading Scheme – Forestry Conversion) Amendment Bill (the '**Bill**'). The thrust of our submission is that New Zealand must continue to support farmers and all industries through the transition, and both are possible rather than presenting the options as mutually exclusive.
3. We wish to note that the timeframe for consultation on this Bill (seven working days, and a closing time of 9:00am Monday 7 July) is insufficient and inadequate for an organisation such as ours to develop a submission and consult with our members to the degree we would wish. In that spirit, our submission focuses on the key issues for the energy sector, and we keep our feedback at a high level.
4. We would like the opportunity to present our submission to the Committee.

Summary of the Bill's proposals

5. The Bill introduces four key changes:
 - a restrictions on exotic forestry NZETS registration on actively farmed land use capability (LUC) classes 1 through 6, our most productive land;
 - b an annual ballot allowing 15,000 hectares of exotic forest on class 6 land, providing planting opportunities while managing planting scale nationally;

- c a 25 per cent cap allowing farmers to plant up to a quarter of their land in exotic forest for NZETS purposes to maintain flexibility and income diversity; and
- d temporary transitional protection for those who invested in good faith before December 2024.

Key messages

6. We **oppose the Bill** on the following grounds:

- a property rights should be respected under New Zealand law.¹ Foresters and farmers have unique portfolio circumstances that inform their investments and economic profiles. They know best how to manage them effectively and efficiently;
- b the mix of legislative 'fixes' in response to the taking of property rights in this Bill creates a complex and costly imposition on the NZETS system and affected landowners. There is a lengthy list of exemptions, caps, ballots, temporary transitional protections, and moratoriums or bans which, while cleverly articulated, illustrates just how troublesome the proposals in this Bill really are;
- c in contrast, the NZETS is a market-based tool (not a subsidy) designed to reduce – or *offset* emissions – at the lowest cost. Its success relies on predictability and credibility. Land-use change is an expected outcome of its efficacy. Forestry is an important offset. Restricting the NZETS can only increase the cost of compliance for all sectors, farming included;
- d the proposed enforcement/introduction date of 31 October 2025 gives insufficient time for consultation and cost benefit analysis. We are sceptical that the legislative changes could be made in this timeframe;
- e forestry byproducts, such as biochar and torrefied black pellets, are becoming increasingly valuable in economic terms and for their potential to sequester carbon and replace coal. Their nascent industry relies on continued confidence in forestry rules under the NZETS; and
- f should policy makers wish to pursue an alternate, and in our view, superior alternative, we would recommend local authorities be empowered to make decisions about where and how trees are planted, using local knowledge and land-use regulations and tools that work with and for their communities.

¹ We refer to our recent [submission](#) on the Regulatory Standards Bill which discusses this issue in more detail.

Context

7. The Bill is aimed at restricting whole-farm (beef and sheep) conversions to exotic forestry from entering the NZETS. Such restrictions were signalled in the lead up to the 2023 General Election and were included in the Coalition Agreement, with an announcement post-Election that gave warning to potential investors. The Bill, if successful, will come into force on 31 October 2025 and material changes will be backdated to the announcement date.
8. Our current NZETS settings allow for exotic planting of forestry by rewarding foresters with New Zealand Units ('**NZUs**') which have a value equal to the carbon price at the time of selling. This has encouraged some landowners to sell or convert productive farmland into exotic (pine) forests. Price signals are the basis of effective exchange-based markets. It seems short sighted that some land-use change signalled by prices is favoured under this Bill (i.e., dairy prices), over forestry land-use change prices. The message received by the market is that planting trees is a bad outcome. This is clearly untrue.
9. The problem the Bill seeks to solve is that when entire farms are converted it results in loss of food production, export earnings, jobs and communities. There is a *perception* that increasingly valuable forestry NZUs have created a market distortion that now favours trees over sheep and beef farming.
10. The Government acknowledges that the Bill will restrict private property rights. This sits uneasily with its strong ambitions to protect and uphold property rights under the current Resource Management Act ('**RMA**') reforms, the Regulatory Standards Bill (currently under consideration), and keep NZETS settings stable and predictable.
11. The problem definition has narrowly focused on agricultural impacts. Our submission is aimed at bringing balance to the debate. We highlight impacts that this Bill could have on private property rights, the efficacy of the NZETS, compliance costs, and how the Bill could slow investment in carbon reductions.

Submission

12. Energy Resources Aotearoa supports New Zealand's national target of achieving net zero long-lived emissions (excluding biogenic methane) by 2050. Any credible emissions reduction target will require New Zealand to chart a least-cost pathway and keep as many options as possible on the table, including offsets such as forestry. The supply of forestry units into the NZETS is a critical safety valve for hard-to-abate sectors and helps to bridge the gap between our gross reductions and net targets while the feasibility and cost of abatement technology solutions improves.

13. Contrary to some opinions, the NZETS is not a subsidy for trees.² It is a mechanism that allows the best solution to come forward without intervention. Trees, like beef and lamb, fulfil multiple roles in our economy. Sheep produce meat and wool. Beef produces meat and dairy. Trees produce logs and bioenergy. Trees also have a wonderful quality that absorbs GHG emissions from the atmosphere. The externalities are managed economically, mainly through the Resource Management Act (RMA) and partially through the NZETS.

NZETS is 'least cost' - the Bill could increase the cost of the transition

14. The strength of the NZETS is that it is calibrated to align with our net zero targets (via the unit volume settings). It is agnostic between fuels, technologies, land-use and sectors subject to the NZETS. It treats each tonne of emissions equally – i.e., 'one tonne, one unit', meaning the most efficient mix of gross reductions and offsets can be discovered by the market over time.
15. This Bill, if successful, risks undermining the NZETS by changing the rules and introducing complexity. The primary impact of restricting forestry under the NZETS would be a reduction in the supply of NZUs, meaning the carbon price will rise faster than it would otherwise. This could incentivise faster gross emissions reductions by New Zealand industries, but it also means a more expensive transition to net zero than is necessary.
16. New Zealand is a technology taker and has less ability than other countries to adopt new technologies early, or at scale. There are many investment barriers, not least of which are economic and financial. Our country is facing the predicament of achieving gross emissions reductions because of reduced industrial output. All of New Zealand loses under this situation.

Restricting property rights creates uncertainty

17. Proposals to restrict exotic forestry planting on some classes of land would impact property rights. It would also impact carbon emitters for whom abatement technologies aren't yet economically viable by reducing forestry options for abatement, potentially trapping them into using high-emitting technologies for longer.
18. Changing market conditions on a whim, as this Bill proposes to do (under very tight timeframes) damages property values. The Bill would impose restrictions on land use by removing the right to use certain qualities of farmland for forestry. This creates an injustice to landowners who should have the ability to use their land as they see fit. It then proposes a raft of measures to mitigate the injustices that it creates (those listed in paragraph 9, plus many more, which constitute the majority

² This is patently untrue. The NZETS is not a subsidy for trees any more than it is for electric vehicles or clean energy infrastructure. It is a market-based tool to reduce or offset emissions at the lowest cost, and that includes carbon sequestration through forestry. Removing this option would only increase the cost of compliance for all sectors, farming included.

of the Bill's clauses). These will introduce uncertainty and additional compliance costs.

The wrong policy for the problem

19. We have consistently argued that issues such as land-use change restrictions are, by necessity, outside the scope of the NZETS. Managing the impact of carbon forestry conversions on competing land uses (sheep and beef farming), at the same time we seek to meet our ambitious emissions reduction targets, will require changes in investment patterns and consumer behaviour. We argue such issues should be addressed through land-use planning and environmental regulation, or via moderation in target ambition.
20. The externalities of forestry conversion on land-use are accounted for in market structures, including the NZETS, land sale economics, the RMA (and its reforms should enhance this), and national direction documents (such as regional council plans).
21. We believe the best solution to the problem the Bill seeks to address is for land-use issues to be handled by local authorities, drawing on their connections to their communities, and using RMA instruments. This avoids the sort of blunt force trauma of central government intervention that this Bill proposes.

The Bill could suppress technological advancement in abatement

22. The supply of additional forestry NZUs into the NZETS secondary market is a benefit to New Zealand, not a cost, and specifically benefits industries who must pay to emit greenhouse gases in the absence of economic abatement technologies. It enables a lower-cost transition and provides a buffer to help hard-to-abate sectors bridge the technology gap.
23. This is a crucial consideration with agricultural operations often relying on energy-intensive production, such as coal or gas-fired plants. It would seem counterproductive to restrict the planting of trees on farmland (we argue that 25 per cent is an arbitrary number and difficult to enforce) when this could be the best outcome for reducing net emissions.
24. The Bill pays no attention to the growing market for forestry byproducts, such as biochar and torrefied black pellets. These products have been technologically proven, are available for the New Zealand market, and could solve some of the biggest energy and environmental problems we currently face.

Concluding comments

25. Energy Resources Aotearoa acknowledges the need to reduce net emissions – this means reducing gross emissions alongside credible, scalable offsets during our journey to our lower emissions future. In the absence of commercial abatement technology, we either make our exporters internationally uncompetitive at the very

time they are struggling with other cost pressures, or at worse they face closure or reduction in output.

It is important that this Bill is not allowed to undermine the NZETS – one of the few tools we have available – in the name of short-term political positioning.

New Zealand must continue to support farmers and all industries through the transition and both are possible rather than presenting the options as mutually exclusive. An efficient price signal is the way to do this.