



388 Main South Rd, Paroa
P.O. Box 66, Greymouth 7840
The West Coast, New Zealand
Telephone (03) 768 0466
Toll free 0508 800 118
Facsimile (03) 768 7133
Email info@wcr.govt.nz
www.wcrc.govt.nz

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Managing Exotic Afforestation Consultation
Climate Change Policy
Ministry for Primary Industries
PO Box 2526
Wellington 6140

Dear Sir/Madam

Submission on proposed changes to ETS for exotic afforestation

Thank you for the opportunity to provide comment on the discussion document “Managing exotic afforestation incentives” regarding proposed changes to the New Zealand Emissions Trading Scheme for new exotic afforestation.

Please find the West Coast Regional Council's (WCRC or the Council) feedback attached. Council consulted with its iwi partners, Te Rūnanga o Ngāti Waewae and Te Rūnanga o Makaawhio (Poutini Ngāi Tahu or PNT), who are mana whenua on the West Coast/Tai Poutini, in the development of this submission.

We welcome the opportunity to respond to this consultation.

Due to our high workload, we have not had time to fully consider the full content of the discussion document. Therefore, our comments focus on the proposed changes to restrict permanent, exotic carbon forestry, and providing economic incentives for existing and new permanent native carbon forestry, in the West Coast context.

Our contact details for service are:

Lillie Sadler
Planning Team Leader
West Coast Regional Council
PO Box 66
Greymouth 7840

Phone: 021 190 6676
Email: ls@wcr.govt.nz

We would be grateful for acknowledgement of receipt of our submission.

Yours faithfully

A handwritten signature in black ink, appearing to read 'H. Mabin', followed by a long horizontal line extending to the right.

Heather Mabin
Chief Executive Officer

List of Feedback

1. That Government investigates incentivising existing and new, permanent native carbon forestry by:
 - a. Amending the ETS to provide carbon management incentives for existing permanent native carbon forestry; and
 - b. Providing incentives for indigenous carbon forest to be planted and used to offset emissions.

2. That the Government provides for an in-between option of regenerative forest, where:
 - a. exotics are planted in appropriate locations at a staggered rate over a period of time; and
 - b. when the first exotic trees are harvested, the land is replanted with natives, to cover both short and long term sequestrations.

3. The Government adopts Option 3(a) in the discussion document, to limit permanent exotic forestry from registering in the permanent post-1989 category in the ETS, with some exemptions to be set out in regulations.

4. Subject to being consistent with Feedback 1-3 above of this submission, the Government:
 - a. explores whether there is opportunity for greater local democratic input into carbon farming (e.g., in local/regional government being able to determine where permanent exotic forests can be planted);
 - b. consider a start date of 1 January 2024 – so that the exemptions regime set out in regulations can be designed and consulted on at the same time as legislation amending the NZ ETS goes through Parliament.

5. That the Government supports further research on:
 - a. which species, including exotics, may be appropriate;
 - b. the regulations around permanent forest management to provide for other economic incentives through management options;

c. supporting natural and managed sphagnum moss wetlands through the ETS.

Introduction

The West Coast Regional Council (the WCRC or Council) appreciates the opportunity to submit on removing the option for new, permanent exotic forests to receive carbon credits under the permanent forest category of the NZ Emissions Trading Scheme (ETS).

The Council recognises some of the concerns and risks raised about permanent exotic carbon forestry. Council seeks that exemptions be provided for some circumstances where permanent exotic carbon forestry may be appropriate, and can obtain carbon credits in the ETS.

Council also seeks that further investigation is undertaken by the Government into providing for local government input to identify appropriate locations at the regional/local level for providing permanent exotic carbon forestry; and investigate economic incentives for giving economic value to existing and new permanent native carbon forestry.

Due to time constraints, the WCRC is not commenting on an option in the NZ ETS to more precisely account for longer rotation production forests on remote and marginal to harvest land, or whether there should be changes to how the carbon accounting method applies to remote and marginal land for harvesting.

Council obtained advice from an expert Economist on the proposed changes to the ETS, and the implications of the changes for the West Coast.¹

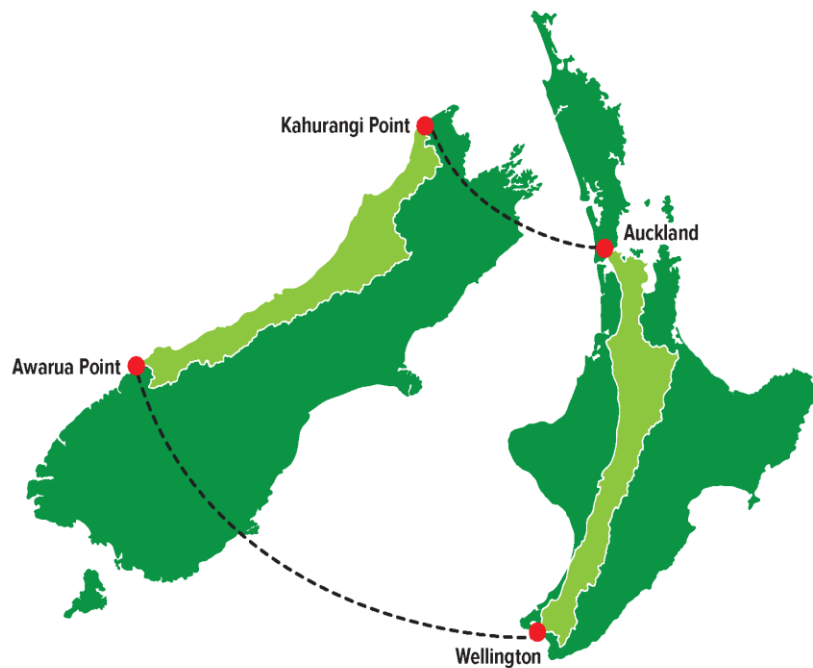
Council has also considered the Local Government New Zealand (LGNZ) draft submission.

¹ Pers comm, Adolf Stroemberger, 5/4/2022.

About the Submitter

The West Coast Regional Council (WCRC) is the local authority for a region covering a vast area with a sparse population. Extending from Kahurangi Point in the north to Awarua Point in the south, this is the approximate distance from Wellington to Auckland.

Map of New Zealand to highlight 600km length of West Coast Region compared to distance between Auckland and Wellington



The West Coast region stretches the equivalent distance of that between Auckland and Wellington

The West Coast is predominantly rural.

The Conservation Estate comprises 84.17% of the West Coast land area, with an additional 1.55% administered by Land Information New Zealand (LINZ). This leaves 14.28% of land available for private ownership. The land in the Conservation estate and Crown ownership is not rateable by local authorities.

Primary industries account for 23% of the Region’s economy with wood product manufacturing, forestry and logging collection contributing 1.3% to total West Coast GDP. Forestry and Logging contributed \$6.93M to the West Coast GDP in 2021². In terms of employment, in 2021, this meant 84 jobs for the West Coast region, down 13 from 2020.

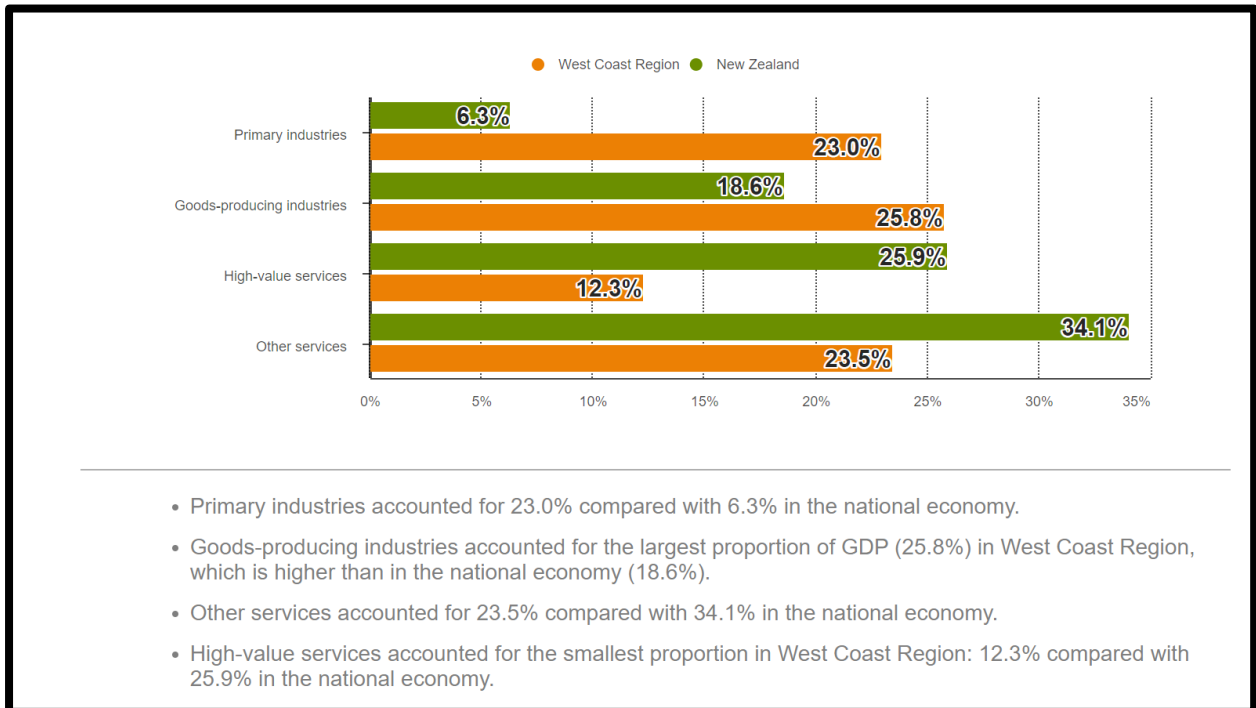


Figure 1 West Coast Annual Economic Profile 2021 Share of total GDP. Source: Infometrics

The Tai Poutini West Coast 2050 Strategy seeks to develop the Food and Fibre Sector through Optimisation, and states:

“The West Coast has an extensive and diverse range of food and fibre businesses drawn from an assorted cross-section of agriculture, horticulture, forestry and carbon farming, aquaculture, meat and food processing, as well as related agricultural service industries.

Actions

- *Developing opportunities to support and grow our food and fibre sector on the West Coast through increased investment in innovation*
- *Develop a food and fibre provenance story for the West Coast that supports increased value from the sector*
- *Establishing partnerships for land use trials to position the West Coast as a preferred option for science and research”*

² Source Infometrics at <https://ecoprofile.infometrics.co.nz/West%20Coast%20Region/PDFProfile#h6>

WCRC works closely with the regions' three territorial authorities (the Buller, Grey and Westland District Councils). Outside of the main towns of Westport, Greymouth, Reefton and Hokitika, the region's relatively low population of approximately 32,600 is spread across smaller settlements and rural communities. It is important that any changes to the ETS regarding exotic afforestation for carbon credits are beneficial to the social, economic, and cultural well-being of all West Coast communities and the natural environment.

Te Rūnanga o Ngāti Waewae and Te Rūnanga o Makaawhio (Poutini Ngāi Tahu – PNT) are mana whenua of Te Tai o Poutini (the West Coast). Our Mana Whakahono ā Rohe (Resource Management Act - Iwi Participation Arrangement) captures the intent of the Council and Poutini Ngāi Tahu to progress our relationship in accordance with the Treaty of Waitangi partnership between iwi and the Crown.

It should be noted that Ngāi Tahu Forestry is the largest exotic production forestry operator on the West Coast.

Issues with proposals for restricting permanent exotic afforestation

Risk of negative impacts on West Coast rural communities

One of the Government's concerns with allowing permanent exotic afforestation for carbon credits is that over the long-term, permanent forests can result in low, long-term economic activity and job creation in the area directly surrounding that land relative to competing land uses (generally sheep and beef, deer, and production forestry). This result is somewhat due to the strict regulations around permanent forestry management.

The West Coast has a sparse rural population, with areas of marginal, hilly land that are unsuitable for sheep, beef or deer being used for production forestry, and some areas that would suit being reverted to permanent forestry. Some marginal land on the West Coast may have potential for sphagnum moss harvesting where the land is boggy with a relatively higher water table. Council understands that this type of land may be more profitable per hectare for sphagnum moss harvesting than other primary production, for example, dairy farming³. There is currently no incentive in the ETS for managing and encouraging sphagnum moss wetlands.

If there is a role for permanent exotic forests on the West Coast, particularly indigenous forestry, WCRC considers further research is required on which species, including exotics, that may be

³ Pers comm, anon, sphagnum moss harvester, 13/4/2022.

appropriate. The ETS currently does not allow for alternative management of these permanent forest areas. This results in several perverse outcomes of the management regime: one is the lack of economic incentive to retain pre-1989 indigenous forest cover, and the second is lack of flexibility around management of existing permanent forest cover. This results in greater incentives for West Coast landowners to consider removal of existing forest cover. The Council also considers greater flexibility needs to be considered in how permanent forest areas are managed to provide for sustainable harvest, wind blown harvest, and under-storey management.

Risk of negative biodiversity impacts from exotic carbon forestry

The discussion document promotes native afforestation as an alternative to exotic carbon forestry as it is better at carbon sequestration and more self-sustaining. However, native afforestation is also a low, long-term economic activity and will have the same effects on small rural West Coast populations as permanent exotic carbon forestry.

Council recognises that there may well be benefits to increased populations of indigenous species and habitat from native carbon afforestation. However, there is the risk of a non-intended outcome of monoculture monopoly with this approach. On the West Coast, native carbon afforestation may not necessarily provide a more diverse range of habitat if only the faster growing or best carbon sequestering species of native trees are planted. The West Coast could end up with more of the same type of native vegetation and no increase in biological diversity of those indigenous species or habitats that are underrepresented.

Having said that, the West Coast is well placed to grow permanent native carbon forestry, as can be seen by the current amount of established and regenerating native forest on DOC and private land. Adaptation for natural forests includes conservation, protection and restoration measures. In managed forests, adaptation options include sustainable forest management, diversifying and adjusting tree species compositions to build resilience, and managing increased risks from pests and diseases and wildfires. Restoring natural forests and drained peatlands and improving sustainability of managed forests, generally enhances the resilience of carbon stocks and sinks. The ETS needs to provide carbon credits for permanent native carbon forestry, to boost the West Coast economy.

The Council's submission on "Te Ara Paerangi Future Pathways Green Paper 2021" also sought that research be undertaken to identify options for increasing the economic value of wetlands and indigenous forest. These natural resources need an economic value as an incentive for private landowners to protect and retain them on their land. None of this land is currently accounted for in the national Emissions Trading Scheme. Currently the only economic

incentives are to clear the pre-1989 indigenous forest and plant pines. Council reiterates the need for more investigation into incentivising existing, permanent native carbon forestry, options for managing existing permanent forestry and investigating other species.

WCRC also experiences land stability issues during periods of heavy rainfall. This is particularly an issue since the selective logging of permanent forested area was stopped. The net result during heavy rain and storm events is windblown timber and dead trees being washed into the river network. The downstream effects are stability issues on bridges, stopbanks and roads. As the rivers get clogged with timber, flow capacity issues are experienced in the river networks as they are clogged up with timber.

Feedback 1

That Government investigates incentivising existing and new, permanent native carbon forestry by:

- a) Amending the ETS to provide carbon management incentives for existing permanent native carbon forestry; and**
- b) Providing incentives for indigenous carbon forest to be planted and used to offset emissions.**

Timing issue with proposed change

Council agrees with Economist Adolf Stroomberger's view⁴, that with no incentives for new permanent exotic carbon forests to be planted, and because native forest is much slower to sequester carbon, this will leave a big gap in New Zealand's carbon reductions in the short term. New Zealanders will pay for having to buy carbon credits from other countries, with the cost estimated to be around \$2billion. Council understands that the discussion document does not address the cost of the gap left from less exotics being planted in the short term.

An in-between option is regenerative forest, where exotics are planted at a staggered rate over a period of, say, 15 years. When the first exotic trees are harvested, the land is replanted with natives. This covers both short term and long term sequestrations.

There could be a role for permanent exotic forests on the West Coast in certain circumstances, for example, where these can be grown on marginal land that is unsuitable for other productive land uses.

⁴ Pers comm, Adolf Stroomberger, Chief economist at Infometrics 5/4/2022

Feedback 2

That the Government provides for an in-between option of regenerative forest, where:

- a) exotics are planted in appropriate locations at a staggered rate over a period of time; and**
- b) when the first exotic trees are harvested, the land is replanted with natives, to cover both short- and long-term sequestrations.**

Support for LGNZ submission

Given the uncertain impacts of the proposed ETS changes on West Coast ratepayers and communities, and the uncertainty of economically feasible and appropriate low carbon emission land uses that will maintain the cultural, environmental, economic and social wellbeing of the West Coast, the WCRC considers that the ETS 'door' should be kept open for some permanent exotic carbon forestry, and provide for permanent native carbon forestry, in circumstances where this is appropriate on the West Coast.

Where consistent with Feedback 1 and 2 of this submission, Council supports the LGNZ submission which supports Option 3(a) in the discussion document. This option will limit permanent exotic forestry from registering in the permanent post-1989 category in the ETS, with some exemptions to be set out in regulations.

Feedback 3

The Government adopts Option 3(a) in the discussion document, to limit permanent exotic forestry from registering in the permanent post-1989 category in the ETS, with some exemptions to be set out in regulations.

Council strongly supports the parts of the LGNZ submission that will provide room to redress historical issues around Iwi/Māori in the carbon farming industry, support whenua Māori to practice kaitiaki, tino rangatiratanga and benefit from the NZ ETS, and potentially enable locally tailored approaches to carbon forestry.

To achieve this, WCRC supports the LGNZ recommendations as the Council's Feedback 4.

Feedback 4

Subject to being consistent with Feedback 1-3 of this submission, the Government:

- a) explores whether there is opportunity for greater local democratic input into carbon farming (e.g., in local/regional government being able to determine where permanent exotic forests can be planted);
- b) consider a start date of 1 January 2024 – so that the exemptions regime set out in regulations can be designed and consulted on at the same time as legislation amending the NZ ETS goes through Parliament.

Alternative management

The need for more land areas to grow exotic production forestry to provide biomass for biofuels as alternatives to fossil fuels may also affect demand for permanent exotic carbon forestry on the West Coast. WCRC submitted on the Ministry of Business, Innovation and Employment’s discussion document “Te Ara Paerangi Future Pathways Green Paper 2021”, seeking that priorities and funding be provided for future research, science and innovation on biomass crops grown on the West Coast for biofuel:

“...Alternative use of biomass production on marginal land for biofuel is another area that the WCRC believes requires research and investigation....Identifying suitable and available areas on the West Coast to grow energy crops....could be in conjunction with forestry land. It is estimated 50,000ha of land is required.”⁵

WCRC consider that biomass harvesting could be managed through a more flexible approach to the regulations around permanent forest management. The forest industry is going to struggle to meet the demand from New Zealand dairy processors, such as Westland Milk Products to deliver enough wood material for heating as the processors move out of burning coal. The feasibility of harvesting biomass for biofuel compared to carbon sequestration from permanent exotic forestry needs to be further researched for the West Coast.

There will be additional demand on wood products from the emergence of a global bioeconomy, where wood is going to be used much more widely to replace greenhouse gas emitting substances, such as concrete, steel and plastics. Support should be given to regional communities to lead the world by producing these products, not adopting policies which would result in having to import them.

⁵ West Coast Regional Council’s Resource Management Committee workshop on the draft submission on the Government’s Emissions Reduction Plan Discussion Document, 19 November 2021.

In addition to the exotic forest estate providing carbon sequestration capacity for the Government to budget for a carbon zero economy by 2050, the economic incentives need to support other uses for exotic forestry. Forestry and horticulture are predicted to lead the way to export recovery over the next few years. To meet the demand for new housing, biofuel and export there will be a huge increase in wood demand for new products.

In addition, freshwater wetland management should be investigated for its contribution to carbon sequestration. The sphagnum moss industry is a valuable economic industry for the West Coast. The industry also has an indirect benefit by contribution to the carbon sequestration. Active management of wetlands for sphagnum moss cultivation results in sequestration of carbon and by promoting sphagnum moss grown. The net result is carbon sequestration as the soil layer increases, even as the moss is harvested. The wetland can easily be reverted to a natural state through ecological succession.

Feedback 5

That the Government supports further research on:

- a) which species, including exotics, may be appropriate;**
- b) the regulations around permanent forest management to provide for other economic incentives through management options;**
- c) supporting natural and managed sphagnum moss wetlands through the ETS.**

This ends our feedback.