FOREST OWNERS ASSOCIATION

Submission

on

Draft advice on the second emissions reduction plan (2026-2030)

Submission to:

Climate Change Commission

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Trees for our future

Contents

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The New Zealand Forest Owners Association Incorporated (FOA) is the representative membership body for the commercial plantation forest growing industry. FOA members are responsible for the management of approximately 1.2 million hectares of New Zealand's plantation forests and over 70% of the annual harvest.

In 2019, the forest growing sector was worth $6.93 billion in export value and has a 12% share of rural land use.

Summary

The FOA welcomes the invitation to provide "*evidence, perspectives, insights, and other information that tests and improves the advice we give to the government*". The focus of this submission, as you would expect, is on the forestry matters which the Climate Change Commission (the Commission) has commented on extensively in the document, and also publicly.

Our over-arching feedback is that the unspecific, and mixed messaging on forestry from the Commission means we are no longer clear what you expect from our sector.

The Commission's message on forestry, and the role it sees for forestry, is becoming confusing. While the necessity of offsetting is acknowledged by the Commission, it is now also heavily emphasising the risk of over-reliance on forestry and pointing out, almost exclusively, the downsides of increased afforestation, particularly exotic forestry.

This situation has been considerably exacerbated by public comments made by the Chair of the Commission which cannot be divorced from the draft advice the Commission is consulting on. His reference to offsetting being nothing more than "*plant and pollute*" and his unsubstantiated claim that "*other countries were becoming increasingly sceptical about the use of offsets at all*" are examples of this. The Chair, who will heavily influence the Commission, has already concluded we have too much offsetting. What we don't know is how much he now does want from production forestry.

We agree that clarity is needed with respect to the role of forestry in the Emissions Reduction Plan. The lack of consistency with respect to the role of forestry is creating confusion and eroding confidence. The Commission has called on the government to articulate the role forests will play in achieving budgets and targets (page 126). Such clarification from the government is sorely needed and the FOA strongly supports this recommendation, but we also consider that the Commission

itself should be providing greater direction to government on what that role is. The function of the Commission means it is far more suited to providing this clarity than the government.

Given the desire to make greater progress with gross emissions reductions, and the significant difficulties in developing solutions including an alternative to the ETS for agricultural emissions, the document is missing a fundamental component of information on offsetting. The transition assistance that forest-planting provides for our emissions-intensive and trade-exposed (EITE) industries (which your Chair labels plant and pollute) is only part of the contribution that offsetting makes. Virtually all forest planting in New Zealand is taking place on agricultural land. This is typically land with low stocking units but the associated reduction in methane emissions is significant and important for both our national accounts and for the agricultural sectors emissions balance sheet. This relationship deserves as much attention in the document as the space that is being given to the possible, but unknown, future risks for forestry from a warming climate.

In previous advice the Commission provided broad targets for both exotic and indigenous forestry. These are now difficult to find and have been replaced with much more frequent and non-specific comments about over reliance. The demonstration pathway figure for forestry is a crucial piece of information that we would expect to be highlighted numerous times in the advice Report. Only then can we expect government to be in a position to confirm that figure or provide an alternative. The Commissions revised demonstration path, even with an increased emphasis on gross emissions reductions still relies on an average afforestation level of 32,000 ha per year to achieve the emissions budgets (page 57). Confirmation of that reliance should be a core message appearing in the summary and conclusions.

We agree that over-reliance on forestry should be avoided and the FOA position has always been that forestry should not be deferring action on gross emissions reductions, but it is also infeasible to contemplate the achievement of New Zealand's goals without the assistance of offsetting which is a legitimate tool that is internationally recognised even if there are examples of offsetting that should not be supported.

The Commission is in the business of monitoring and reporting on emissions budgets. We conclude that this necessarily places a responsibility on the Commission to quantify what "over reliance" means in terms of forestry and to advise whether the current levels of planting are too much or too little. Without this leadership, "over-reliance" will be interpreted in widely varying and conflicting ways and there is a risk that, we will stifle the potential for forest to play the role the Commission agrees they do need to play.

The Commission has provided guidance on the minimum commitments it recommends for gross emissions reductions yet has chosen not to do the same for gross emissions removals for forestry. If the Commission cannot provide guidance on over-reliance and under-reliance, then it cannot expect Government to be any clearer, or to develop policy based on vagueness.

Nowhere does the document talk about the implications of an under-reliance on forestry and yet these consequences are very real, and very serious. The FOA is already aware of investment planting that has been cancelled because of the comments and policy signals that have been made and it is our expectation that after the investment orders already committed to for the current year there will be a significant fall in new planting.

The Commission has clearly indicated that it considers that planting 60,000 ha every year from 2022 to 2035 is a realistic scenario (page 57). We do not, and we provided numerous reasons why we

consider that sustained high level of planting to be improbable, most notably the raft of measures being contemplated by existing, or potential, governments to constrain forestry. Our expectation is that the highly elevated level, if indeed 60,000ha is confirmed, will be short-lived. The Commission has warned against "*downplaying the risk of afforestation displacing gross emissions reductions*". The FOA is warning against the risk of overplaying this risk.

We consider that there is a serious risk of forestry shortfall given current policy uncertainty, and proposed policy amendments. Accordingly, we do not believe the justification for decoupling forestry units within the ETS has been established especially given the failure of the last two government auctions to clear and the consequent reduction in the overhang of units.

We strongly endorse the repeated message in the document that clearly defining the role of forestry in achieving New Zealand's targets is essential. We concur that a "clear policy direction" for forestry is missing and should be provided by government but is not exclusively a role for government. The Commission should be much more explicit in describing the role of forestry.

It is noted that the draft advice builds on previous advice provided to the government on forestry (page126). Given this, it would be useful to reiterate some of the previous advice and to make it clear whether the Commission continues to stand by that advice or highlight where it has changed. Nothing in the document related to forestry could be more apt than the statement that "*defining the role of forests is critical to the pathway to achieve the 2050 target and as forests take a long time to establish and grow, clear policy direction is needed quickly*".

Fundamentals for Success

The document refers to an emissions reduction path that "*relies heavily on planting new forests*" (page 8) and there is a "*high risk*" that this will undermine our progress on emissions (page1). Once again, we have terms being used that are not defined. What does "heavily" reliant mean, what does "high risk" mean and is the Commission concluding that the demonstration path level of afforestation that they are recommending is now over reliance? Heavily reliant needs to be calibrated against the level of new planting that is currently happening. The government, other land users and the forest industry are looking to the Commission for guidance on what an appropriate level of reliance is. If the Commission is unable to provide further clarification on this critical matter, then it should not be advising the government to make changes to the ETS.

The document concedes that the draft advice is future focused and "*we have not run a detailed ruler over the first emissions reduction plan to see how effectively it is working*". The document also acknowledges that there is a lack of data and "*there hasn't yet been enough time to assess the real world applications*" (page 4). These are strong admissions that it is not clear how well we are achieving our emissions reductions. Until this data, and evidence, has been collected we must necessarily conclude that the Commission does not have the evidence to be discouraging forestry and referring to land being locked up and causing environmental problems.

At the same time, it is stated (page 8) that "*actions taken by households businesses and communities are all positive signs that the country is committed to achieving a low emissions future*. Given this positive affirmation why is the Commission suggesting that action on emissions is inadequate, and the reliance on offsetting too much?

In the advice provided on the first emissions reduction plan the climate change Commission provided estimates of what afforestation would contribute to achieving the emissions reduction

plan goals by 2030. Those targets are briefly referred to on page 127. Under the revised demonstration pathway the level of exotic forestry is estimated at 500,000ha, up from 380,000ha.

Is the Commission's message that we need to do more on emissions but that we will now need 500,000ha of exotic planting, or is the Commission saying that 500,000ha is "over reliance" and the goal is still 380,000ha? The relationship with the 360,000ha of new exotic forestry listed as a 2030 benchmark (Table 2.3, page 39) is also not spelt out.

The relationship between these figures and what figures the Commission are proposing as targets is important, especially when the Commission is acknowledging it is short on data and had insufficient time to undertake adequate analysis.

The Commission is calling for greater clarity from the government on forestry goals but failing, itself, to provide sufficient clarity.

The Commission, and certainly it's Chair, appear to have concluded that we are over-delivering on offsetting. Indeed, the Chairman suggests that there is a prospect that we could "solely" rely on forest offsetting. To move from specificity to such generalities is unhelpful.

If the Commission believes we are achieving too much planting, it should explicitly say so and give an indication of by how much we are over-achieving.

The document devotes considerable space to focussing on possible risks of "heavy reliance". It is stated that *"A path that relies heavily on planting new forests to achieve net zero would increase exposure to risks such as fires, pests, and diseases. This could mean carbon is released back into the atmosphere and carbon storage is lost."*

It is unusual that these have been specifically identified for forestry, but similar potential risks have not been identified for other strategies, or sectors that if affected could disrupt carbon sequestration, or result in carbon being released i.e. disruption of electricity supply etc due to climatic events or poor maintenance (unfortunately there are many examples of this and intensification is likely to result in increased risks to infrastructure – not just forests. Biosecurity risk can be mitigated through improve biosecurity risk management.

Fire is frequently tabled as a major future risk with forestry. It would be interesting to understand what evidence or data this is based on and how this is relevant to the New Zealand climate change context? There appear to be lots of anecdotes about increasing fire risk in New Zealand, but little evidence to validate this when looking back at fire data and first risk data over the last 20-40 years of warming. Caution is also needed against drawing too much on the size of fires over the last 5 years as fire risk management practices and strategies have changed since the merger of the 2 fire entities, as has the overall competence and experience in rural fire management).

This section (page 9) also talks, without providing specifics, about the needs of Māori and Iwi and proposes resourcing to address these needs. It would be useful if this could be expanded on, particularly as some of those challenges may be faced by Māori, and non-Māori, alike.

Enabling System Transformation

The document rightly places an emphasis on the fostering of a "*more circular economy and sustainable bioeconomy*". We strongly endorse this especially because of the vital role that the forest industry has in contributing to the bioeconomy. Given this, it is surprising that the document makes no reference to the Forest and Wood Processing Industry Transformation Plan (ITP). This ITP

represents the collective government industry vision for transforming the sector and contributing to the primary sector's adaptation to climate change. It is also a vital component of the government's vision for transforming the Primary Sector.

The Commission's Chair acknowledges that change is required (page 1). The forestry industry ITP also recognises this need for change, including land use change. It is further acknowledged in the draft advice document the "*failure to move towards this future could put Aotearoa New Zealand's global competitiveness at risk*". We agree and support our Industry Transformation Plan accordingly. That plan, however, requires an expansion of forestry and wood processing, particularly related to bioenergy. The Commission's position on the very relevant contribution of the ITP should be made clear.

Recommendations (page 13)

We welcome the Commission's recommendation (number 1) that government commit to clear budget targets and are pleased to see that the Commission has been specific about what is sees as being minimal level commitments. This clarity is needed by investors and those contemplating behavioural change.

For the same reason, we are equally supportive of recommendation (number 2) that government communicate "indicative levels of gross emissions and carbon dioxide removal from forestry out to 2050 and beyond to guide policy development". We are disappointed, however, that the Commission appears to be concluding that it is not it's role to be providing guidance on the minimum levels for forestry. In our view, this is a clear role for the Climate Change Commission. It is an area where the Commission has previously provided guidance but is now withdrawing from that. As noted, if the Commission no longer endorses its previous guidance, then it should explicitly say so, give reasoning, and provide its proposed alternative pathway.

The Commission has gone as far in Recommendation 3a of proposing that the NZ ETS be amended to separate the incentives for gross emissions reductions from those applying to forestry. In recommendation 3b it then also calls for durable incentives for forest removals beyond 2050. Both recommendations are contingent on achieving the right balance to meet the budgets without "*over-relying*" on forestry. If the Commission is going to be this specific in terms of recommended policy response, then it is imperative it also provides its assessment of what the forest levels removals should be. The commissions advice is about the "*strategic direction of policy and recommendations*" (Page 1) but without giving some consideration to the potential policy options the Commission cannot know whether the direction is achievable or not.

As discussed below, we consider there are a number of reasons why it is likely that the rate of planting of exotic forestry will fall in the near term. These all relate to an erosion of confidence in the commitment to forestry's role and comments by the Chair of the Climate Change Commission and the wording in this document are adding to the uncertainty about what the policy settings for forestry will be.

In summary, we do not agree with the Commission's Recommendation 3a, that the ETS be amended to separate the incentives for gross emissions reductions from those applying to forestry on the basis that there is insufficient evidence to conclude that the level of afforestation will be an impediment to progress on reducing emissions. Furthermore, we are concerned at the level of cost and complexity that creating two parallel systems dealing with the same NZU will cause.

If the point is reached where there is compelling evidence that forestry is an impediment to progress on emissions, then other less disruptive option are available such as limiting the total forest area accepted into in the ETS and this could be reviewed on a year by year basis. There is also, now, ample evidence to demonstrate the effectiveness of the auction system by government to control NZU volumes.

Benchmarking the Action needed (page 38)

On all measures, including forestry we have failed to make the progress expected from the emissions reduction plan policy records (Figure 2.4, page 40).

This underscores the commission's concern about progress on emissions reductions, but it also illustrates that we cannot afford to ease back on forestry either.

On the basis of progress to date the quote "*low policy impact"* would still see New Zealand facing a shortfall even in the 3rd emissions reduction budget common end the third emissions reduction budget relies heavily again on forestry (page 41).

Given the desire to make greater progress with gross emissions reductions, and the significant difficulties in developing solutions including an alternative to the ETS for agricultural emissions, the document is missing a fundamental element of information on offsetting. The transition assistance that forest-planting provides is only part of the contribution that offsetting makes. Virtually all forest planting in New Zealand is taking place on agricultural land. This is typically land with low stocking units but the associated reduction in methane emissions is significant and important for both our national accounts and for the agricultural sectors emissions balance sheet. This relationship deserves measuring and reporting as part of any benchmarking.

The Commission has provided guidance on the minimum commitments it recommends for gross emissions reductions yet has chosen not to do the same for gross emissions removals for forestry. If the Commission cannot provide guidance on over-reliance and under-reliance, then it cannot expect Government to be any clearer, or to develop policy based on vagueness.

Making transparent the level of gross emissions to meet budgets two and three will lead to better policy (page 50).

The Commission has been emphasising for some time that it considers it necessary for the Government to prioritise both *gross* and *net* emissions reductions. The Commission has now gone further by recommending Government introduce specific targets for gross emissions reductions (excluding the impact of carbon removals from forestry) in the second and third budget periods. It has also proposed "*Advancing pricing of agricultural emissions to recognise emissions reducing practices and incentivise gross emissions reduction*".

We consider that setting both gross and net emissions reduction targets would be helpful because it will provide clarity for emitters on what is expected but it will also crystalise the role that forestry offsetting still needs to play. It is the lack of this clarity, by the Government not the Commission, that is fuelling a lot of unnecessary and unhelpful speculation about forestry in particular.

Afforestation driven by the NZ ETS is likely to displace gross emissions reductions (page 56)

Considerable weight is being put on "preliminary evidence" of forest planting (page 55, page 57). It is noted, for example, that the 2022 preliminary estimate of around 60,000ha is well above the average afforestation level of 32,000 ha per year needed to achieve the emissions budgets (page 57).

We agree the expected level of planting for the current season is likely to be considerably up on those figures but, again, a single year of planting in not sufficient evidence to conclude there is a problem. As noted, for several reasons, we expect the following 2023/24 year afforestation levels will fall significantly. Considerable caution is also needed in using survey intentions as previously stated intentions figures have, in many cases, failed to materialise for whatever reasons.

It is also important to ensure that afforestation figures are indeed new planting and an increase in net stocked area and not simply planting figures that includes replanting. The National Exotic Forestry Description (NEFD) database has the most accurate figures for new planting up to 2022 and the levels do not support a conclusion that we are becoming over reliant on forestry.

The Commission has clearly indicated that it considers that planting 60,000 ha every year from 2022 to 2035 is a realistic scenario (page 57). We do not, and have provided numerous reasons why we consider that to be unlikely, most notably the raft of measures being contemplated by current, or potential governments, to constrain forestry. Our expectation is that the highly elevated level, if indeed 60,000ha is confirmed, will be short-lived. The Commission has warned against "*downplaying the risk of afforestation displacing gross emissions reductions*". The FOA is warning against the risk of overplaying this risk.

The magnitude of the challenge is well illustrated in Figure 4.2 (page 58). Even if we achieve the 32,000ha per year of exotic afforestation (itself an elevated level) the level of gross emissions reductions required, in comparison to what was required in Emissions budget 1 is sobering – 2.5X what was previously needed. Can we really afford to ease up on forest planting?

The current situation creates risks for foresters too (page 60)

We agree that boom and bust cycles are negative for the forest sector for the reasons outlined and ideally a consistent level of planting and harvesting should be achieved.

This is why it is so important for the government to set clear long-term, and annual expectations, of what is the desired level of forestry planting as the Commission has recommended.

In terms of the price risk this is a factor that anyone investing should be well aware and the fact that it is a regulatory market. Ultimately, the goal for everyone should be a declining carbon price. Nonetheless, this is a further reason why decoupling of forestry units may be unjustified as it is a retrospective change to the rules under which investors entered the ETS. If a point is reached where there is clear evidence that the level of afforestation is well surplus to requirements, then constraining entry to the ETS at least ensures that no one is retrospectively affected.

Industrial free allocation (page 68)

We agree that the current system of free industrial allocation for emissions-intensive, trade-exposed industries is inconsistent with the ETS incentivising net zero long-lived gas emissions by 2050 and is disproportionate to the risk of so-called "emissions leakage. Accordingly, we support a review of the industrial free allocation policy.

Impacts on rural communities (page 94)

Any assessment of impact on rural communities should take in to account that forestry has lifted land values and provided landowners with options that did not previously exist.

Chapter 10 Forests

The context for change (page 126)

Setting the context is a critical element of the document. In our view that this would be the appropriate place to provide a balanced perspective on what is, and isn't, needed from forestry in specific terms and why.

While the document notes the differing sequestration rates between exotic species and native species (page 126) it does not explain why the faster and earlier sequestration rate is so important for achieving near to medium term targets. This is vital context for understanding the role of forestry and its omission is troubling particularly given the Commission has stressed this previously. Why is it no longer being acknowledged? It is critical to understanding why native forestry cannot be a total substitute for exotic forestry, and thus should be included in the Commission's advice. We note, for example, that the document says that native forests "*can provide the opportunity to build an enduring carbon sink beyond 2050* "(page127)" but fails to note that (only) exotic forests can provide the level of sequestration required before 2050.

The document is also silent on the important role that forestry is playing in reducing agricultural emissions, mostly methane, but to a lesser extent nitrous oxide. This is an important fact and a potential problem if, as we expect, we do not get the levels of offsetting included in the demonstration path. A recent calculation on a typical sheep and beef property by one of our members showed that for 770ha the carbon accumulated up to the age 16 average amounted to just under 300,000 tonnes CO2e. The avoided emissions over the 30 years of the project amounted to just over 100,000tonnes CO2 equivalent. The net reduction was thus over 400,000 tonnes CO2e or 519 tonnes CO2e per hectare. An additional 25% of avoided emissions is not something the Commission's advice should be overlooking, and this is far more relevant to any discussion on the role of forestry than some of the other "risks" that have been included. For balance, this contribution, including quantification at a national level of the benefit, should form part of your advice.

We welcome the recognition that all forms of forest support emissions reductions and can provide environmental benefits including the management of water quality, air quality, and stabilisation of land to manage erosion.

Using a figure of 2.1 million hectares for exotic forestry is inaccurate, and misleading (page 126) particularly if it is going to be used as "context for change". The figure has been taken from a Ministry for Primary Industries (MPI) document. However, the original reference notes that only 1.7M is actually in exotic forestry and in production. The remainder (unplanted and in reserves) is not exotic forestry, and not in production. This corresponds with mFOA's own survey which estimates the area within exotic plantations that is in native reserves and protected areas is approximately 350,000ha. If the figure of 2.1M hectares is used it should be broken down accurately as in the MPI original reference.

The most reliable source for quoting planted exotic production forestry area is "Facts and Figures" which is produced jointly, and annually, by MPI and the forest industry. The latest figure available records planted forestry as 1.78M ha.
https://www.nzfoa.org.nz/images/FGT_4234_Facts_and_Figures_2021_22_Internals_FA_web_updated_1feb2023.pdf

We fail to see how investment in forestry may "*not ensure that a durable net zero it's reached*" (page 126). It is assumed that loss of forest is being seen as a reversal of the sequestration investment. This will only happened for two reasons. The first is if there is a loss from natural causes - pest, fire or weather event. In this case the loss will be temporary, and the forest owner is under an obligation to reinstate or make good through units that represent reduction elsewhere. The second is if the price of carbon falls and the forests are removed from the emissions trading scheme. In this case it will represent good progress on gross emissions reductions and therefore the reliance on offsetting has been reduced. Ultimately, we assume that everyone is seeking an economy that does not need to rely on any offsetting.

The lack of progress with native planting (page 126) is noted, but comes as no surprise to FOA. We are on record as advising that the projected planting rates for native forestry were unrealistic and, as a consequence, the expectations of what can be achieved are now also unrealistic. While we support the expansion of native forestry, the challenges are multiple and significant and the costs expected to be borne by private landowners.

The comment "*Existing native forests could be threatened if pests are not managed, potentially leading to the release of the carbon they store, and the loss of their biodiversity and other values*" highlights the challenge with on-going management of native forest. Natives will likely be much more prone and susceptible to biosecurity and climate change risks as they have evolved to suit specific conditions while exotics tend to be much more tolerant and resilient and can be more easily adapted through breeding or genetic engineering or replaced with other more resilient species where natives generally cannot.

The document records (page 127) that "*Native forests have environmental, social, and cultural uses*." So do exotic forests and this should be acknowledged. Just because it is exotic doesn't mean that it doesn't have the inherent ecosystem service values particularly as typically it will be replacing extensive pastoralism. Conifers confer ecosystem benefits in their native habitat and just because they are grown outside of that biome doesn't suddenly mean these are turned off.

The demonstration path for forests, Figure 10.1, (i.e. planting projections), (page 127)

The document notes that the exotic forestry increase over the period 2021-2035 is from 380,000ha to 500,000ha and this figure aligns with the Government's updated forestry projections.

Meanwhile, it also notes the projections for native forestry have fallen from 300,000ha to 280,000ha. This is "*beneath the levels expected in the original demonstration path*". It may have been below what government was expecting, but it certainly isn't below what the industry was expecting.

Given that we are only two years along the demonstration path there is huge scope for further significant variation in these numbers before we reach 2030. To conclude already that we are going to overachieve on forestry is highly speculative and, in our view, unlikely.

We urge particular caution against assuming that the increased levels of exotic planting of the past two years will be maintained and also that we will accelerate to achieve 25,000ha per year of native forestry. We do not consider either are likely.

There are a number of factors that we conclude, collectively, will result in a material fall in new planting of exotics. They are:

- The rejection of the Commissions previous advice by government that has led to a sustained drop by one-third in the carbon price.
- Anticipated additional constraints and obligations applying to the permanent forestry category.
- The cessation from the beginning of this year of the option of using the stock change approach. There was a significant increase in applications to beat this deadline which will now stop.
- The proposal by MPI to place two-thirds of the cost of maintaining the ETS o forest owners, and to apply this as an annual charge indefinitely. This is already causing some to reconsider their participation in the ETS.
- Changes to the OIO to replace the special forestry test with a benefit to New Zealand test and suggestions by the opposition to preclude any overseas investment in the ETS.
- A lack of ability, and interest, in future afforestation of steep, eroding country as a consequence of the impact of recent climate change induced storms.
- A review of carbon-only forestry and the possibility of additional restrictions relating to this under the National Environmental Standards for Plantation Forestry.

The public views of the Commission Chairman about the downsides of offsetting are adding to this and the FOA is already aware of several examples of forest plantings that were proceeding but, because of the above, have been cancelled. This reinforces our expectation that new planting levels are going to fall appreciably.

Even, in the unlikely event that elevated planting was maintained, the difference between 380,000ha and 500,000ha by 2035 is negligible.

- 380,000 ha represents a 3.5% change in land use from farming by 2030.
- 500,000 ha represents a 4.5% change in land use from farming by 2030.

Because of the clamouring to now constrain forest planting, we consider the greater risk is that the 380,000ha figure will not be achieved.

Emissions reduction is hard: particularly hard given the goal that New Zealand has set itself. If we are going to struggle to make the progress we would like on emissions reduction, are we better to have more offsetting and meet our goals, or less offsetting and either not meet our goals or purchase offsets credits from the international market (assuming they are available)? The Commission implies that we are better to make progress on emissions and sacrifice the target if needed. "*While heavy reliance on forests may enable Aotearoa New Zealand to meet its 2050 target, it would only delay the need to reduce gross emissions*" (page 126).

We agree that there is currently a lack of clear direction in objectives for the amount and type of forestry required to achieve the 2050 target. Without this guidance for investment in the long-term commitment that is forestry the planting rate will continue to be ad-hoc and uncertain.

We are very concerned that the Commission itself appears to have backed away from providing such guidance. Where are the figures for new planting of both exotics and natives? Is the body that has responsibility for developing the budget entertaining how we get there it is reasonable to expect the Commission to take its own advice and provide clear direction for forestry. At the moment the message that we are receiving is that we must have forestry, but we mustn't have too much forestry. Undeniable, but also unhelpful.

The document acknowledges that the first Emissions Reduction Plan advice in 2021 concluded there are achievable affordable and acceptable pathways for Aotearoa and, importantly it provided guidance on what those pathways looked like for forestry. That clarity has disappeared.

Characteristics of forest types (page 128)

In discussing the characteristics of different types of forests, (page 128) it would be appropriate to record the area of New Zealand (6.2M ha) in native forestry and the level of production from that estate (0.03%) versus the area in exotic forestry and the proportion of production (1.78M) that comes from that estate (99.97%) - https://www.nzfoa.org.nz/images/FGT_4234_Facts_and_Figures_2021_22_Internals_FA_web_updated_1feb2023.pdf (Page 23).

Another important characteristic that should be included is ownership. With native forest, for example, it is important to make the point that any meaningful offsetting contribution from native will not come from existing public lands. It will be almost exclusively need to come from privately owned land. On such land harvesting is not prohibited and, indeed, the potential for sustainable harvesting should be included as part of the proposed clarity about the role of forestry going forward. Harvesting may well provide an additional benefit, and reason, for private landowners to establish the native forest that is needed.

With respect to pre-1990 and post 1989 forestry Box 10.1 provides no information on what the difference between the two is. This is fundamental to understanding the differing forestry types in the national estate. Two additional characteristics that should be included are the proportions of total area in each (approximately one-third in post 1989 and approximately two thirds in pre-1990). And also that 23% of the post 1989 forestry is not in the ETS.

The most important difference, of course, that should be included is that only post 1989 forestry that is voluntarily entered in to the ETS has any ability to generate carbon credits for sale. Pre-1990

forestry has compulsorily been in the ETS since 2008, with liabilities if land use is changed, but without any ability to earn credits.

Clear direction and objectives for forests are needed to achieve targets (page 129).

Never a truer word said! We concur fully with the view (page 1) that the role of forests needs urgent attention.

We agree that over reliance on forestry should be avoided. This places a responsibility on the Commission, as part of monitoring emissions budgets, to quantify what "over reliance" means. Without such clarification it will result in a wide range of differing interpretations, and it is likely that in seeking to avoid over reliance we will stifle the potential for forests to play the role that the Commission agrees they need to.

The document notes that "*there is currently a lack of clear direction and objectives on the amount and type of forests required to achieve the 2050 target*." Again, we strongly endorse this statement because the absence of clear direction is resulting in ad hoc investment decisions. The Commission has called quite rightly for this clarity but in our view the Commission itself has a significant responsibility in delivering it, rather than passing the challenge to the Government. The Commission, unlike the Government, has a responsibility to provide advice that is not influenced by politics. The Commission has provided specific detail on carbon budgets and there is no reason why it should not be doing the same for forestry as it is then in an ideal position to determine what the level of forestry contribution should be to satisfy those budgets.

In commenting on how the role of forests should be articulated, the Commission notes that small areas can be interspersed with other land uses such as farms to create mosaic landscapes. This is indeed part of the picture and a significant opportunity for agriculture. It is not however the only pattern may be appropriate in the landscape. At times it may be more appropriate to have wholesale conversion in the establishment of forestry at scale to support processing investment and the development of bioenergy. The Commission should acknowledge this is also a legitimate land use outcome. Having all the new planting established as small, scattered and uncoordinated woodlots would lead to some serious challenges for the wood processing sector and would not be able to deliver some of the scale investment needed to underpin the Forestry and Wood Processing ITP.

Forestry risks

This section focusses on the negatives of additional forestry. For balance we consider that it should also cover the challenges we face if we do not have forestry? It should also provide guidance on the weight to put on the possible risks listed.

The key question with risk is always probability and magnitude. What is the magnitude of these risks being so high, so extensive and so unmanageable that it means reliance on offsetting should be reconsidered, especially when, in the future, we are expecting to become less and less reliant on offsetting anyway.

The tone is set by the Chairman's preamble (page 1) about the pitfalls of forestry offsetting which also neglects to acknowledge any of the multiple benefits of landuse change. He prophesises "*our actions are committing new generations to keeping land locked in forests for centuries to come*" and therefore elevating the risk of "*slash, wildfires storm damage, and diseased and dying trees*". This unbalanced contribution fails to mention the relatively low percentage of land use change needed and ignores the fact that if we achieve our objectives the price of carbon will ultimately fall and therefore nothing is "locked in". If we have to wait centuries for this to happen then we have all failed, and there will be much bigger problems to worry about.

As previously noted, it is important to put the scale of the land use change to forestry (and therefore increased reliance on offsetting) into perspective. We are talking about a 3.5% change from a land use that will also face increased fire and biosecurity risks from climate change. Some percentage of this may be at greater risk of loss or damage on a temporary basis. Is this seriously being contemplated as a reason to question offsetting?

It should also be noted that exotic plantation forestry is better placed to adapt and manage these compared with indigenous species. The potential for exotic forestry to adapt using technology and genetics means the risk is substantially less than for native forestry and where it may be impossible to implement any interventions without impacting the intrinsic values of indigenous forests.

It is stated (page 131) that "*Native planting is also more susceptible to pests and diseases during their establishment phase than other exotic forests, such as pine*". This is not just during establishment – consider Kauri die back, myrtle rust, Totora die back – more pests and pathogens will likely emerge as a result of changing environmental conditions but there will also be a wider use of native species which will make them more prone to invasion or infection.

Both biosecurity and fire risk can be managed if the right investment is made, and the right incentives are put in place. We do share a concern, however, around carbon-only forestry, i.e. forestry not intended for wood production. Such forestry may prove challenging for fire management as some of the supporting infrastructure will not be in place.

On page 47 we learn that "*The recent experience of Cyclone Gabrielle shows how adverse weather events can damage and destroy forests. Climate change will exacerbate forest fires, strong winds, storms, droughts, pests, and pathogens*."

Cyclone Gabrielle has illustrated how vulnerable any existing investment is, be it forestry, horticulture, infrastructure, wind farms etc. It has also demonstrated the benefits of having vegetative cover on land. Again, this statement on its own adds little, provides no indication on whether the net risk has been increased and whether this manageable. It should either be quantified and conclusions drawn, or it should be removed.

None of these risks are new and forests can be replanted making them reliable for carbon storage over the longer term. It highlights the importance of good risk management whether it is strengthening the biosecurity system, adapting approaches to make beneficial use of new technologies (i.e. gene editing) to improve resilience. Risk management is part of the current plant and animal productive sectors and there is no reason why this cannot be just as effective at the wider scale as it is currently. Temporary setbacks do not mean the model is flawed.

From a biosecurity perspective the exposure risk would be no different to now unless trade patterns changed significantly, and the effectiveness of the biosecurity system reduced. The key change would be the increase in potential host species through planting and their resilience or susceptibility under future climate conditions, or emerging biosecurity issues. Plantation forestry is well placed in this regard given the extent of knowledge and ability to manage and adapt to changing situations. Indigenous forests, however, are likely to be more at risk.

From a fire perspective it is uncertain whether the risk would be higher. Anecdotally this is perceived to be the case, but it is uncertain if this is perception or reality in the New Zealand context. Certainly, the consequence of fire affecting plantations or indigenous forest areas would be greater if these were larger in size. However, preventions and risk management should adapt to address this risk.

As noted previously the document dedicates whole sections to the risks or challenges associated with forestry. In contrast there is little mention of the benefits that forestry can provide apart from a one sentence acknowledgment (page 11) that these benefits are multiple, or drawing on references that only attribute such benefits to native forestry (page 92).

This section, and the section on Challenges need a summation. There are a number of statements (and indeed elsewhere in the document) that leave a question mark about what conclusion should be drawn. For example, the document encourages new ways to facilitate the expansion of native forestry yet at the same time it draws the public's attention to the threats from fire, pest and disease all of which are elevated issues for native forestry. Is the Commission concluding that these risks are unacceptable and unmanageable or rather that they will need addressing but can be?

Overall, we contend that either the section on challenges and risks that point out the possible negatives should be balanced with commentary on the positive role forestry has to play, or a separate section on benefits included in the document. For example, no mention is made of the enhanced growth rates, and therefore enhanced sequestration that a warming climate could bring for all types of vegetation. This could result in less land being needed to achieve the same level of offsetting. Where too, is the mention of the reduction in methane that will be associated with every additional hectare of forestry.

Either way there should be some summary comments from the Commission on how it considers the balance of influences, probabilities and seriousness should be regarded.

Sustainable bioeconomy opportunity (page 175)

The opportunity, and imperative, to foster a bioeconomy is well noted but we consider the link to the development of the forest resource and wood processing sector is not well recognised.

We strongly welcome and endorse a well overdue bioeconomy strategy but note again the reliance on the forestry sector to achieve this. It is difficult to reconcile the importance placed on the bio economy with the continually repeated message that we must not be over-reliant on forestry and should the lack of connection to the development of downstream processing and the role of wood products.

The call by the Commission for data on efficient matching of regional supply and demand is welcome and supported as is the recognition that the bio-economy offers a particular avenue for Maori in forestry communities (page 176).

Note on making this submission public

We do not object to the submission being made public.

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Forest Owners Association