FOREST OWNERS ASSOCIATION

Submission

On

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

Submission to:
Environment Committee, New Zealand Parliament

7 July 2025

Growing Your Future

Contents

New Zealand Forest Owners Association Inc

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 Aotearoa New Zealand's plantation forests and over 70% of the annual harvest.

In the year up to March 2024, the forest growing sector was worth $5.87 billion in export value, yet plantation forestry covers just 7% of the land area in New Zealand. It contributes 1.6% of New Zealand's GDP and employs approximately 42,000 people in wood production, processing, and the commercial forestry sector. It is anticipated that total export returns for forest products will reach $7.33 billion by 2027[1]. Commercial forests sequester approximately half of New Zealand's carbon dioxide emissions.

Introduction

The key proposals under the Climate Change Response (Emissions Trading Scheme— Forestry Conversion) Amendment Bill ("the Bill") are:

- For **Land Use Capability (LUC) class 1–5 land**: A three-year moratorium will apply to whole-farm conversions to exotic forestry registering in the New Zealand Emissions Trading Scheme ("the ETS").
- For **LUC 6 land**: A cap of 15,000 hectares per year will be placed on exotic forest conversions, subject to reassessment in 2029 and at five yearly intervals.
- For **LUC 7–8 land**: No restrictions are proposed.
- Up to **25% of LUC 1–6 land** on any farm may be exempted from the limits.

The terms "Production Forestry" and "Permanent Forestry" used throughout this submission are defined for the purpose of this submission as:

- **Production Forestry or Forests** - the deliberate establishment and management of forests, typically with exotic species like *Pinus radiata*, for commercial timber production. These forests are usually harvested on a rotational basis and replanted after each cycle.
- **Permanent Forestry or Forests** - forests established, often with exotic species with the primary purpose of sequestering carbon rather than harvesting timber. These forests are typically not harvested or only subject to low-intensity harvesting.

Executive summary and recommendations

While we welcome the opportunity to provide feedback on the Climate Change Response (Emission Trading Scheme – Forestry Conversion) Amendment Bill ("the Bill"), we oppose major elements of

[1] https://www.nzfoa.org.nz/images/Facts_and_Figures_2022-2023_-_WEB.pdf

the Bill. Government decisions taken on the ETS, significantly and directly, impact the forestry sector's ability to play a role in mitigating the impacts of climate change. Even draft advice relating to climate change settings can and has in the past had an impact on investor confidence within the forest sector.

FOA urges the Government to adopt a more balanced, evidence-based approach that:

- Respects private property rights and investor confidence.
- Recognises full ecosystem-service and regional economic benefits of exotic forestry.
- Maintains land-use flexibility across LUC classes.
- Preserves the integrity of the ETS as a market-based mechanism and avoids distorting abatement incentives through land-use interventions.
- Maintains investor confidence in the scheme's stability.

The Bill's interim 15,000 ha cap on LUC 6, and myopic focus on LUC 7–8 for forestry will:

- Erode private-property rights, treat forestry as a "land-use of last resort," and contradicts prior Government commitments to investment certainty.
- Deter new investment: Forestry is a long-term capital-intensive sector that requires stable, transparent rules. Constant policy tinkering has the opposite effect.
- Ignore forestry's full suite of ecosystem services such as erosion control, water-quality improvement and biodiversity buffers.
- Have significant downstream consequences for the wood processing sector due to varying biomass demand and associated price escalations.

FOA considers that consultation has been narrow, lacking in evidential support, and insufficient for the scale of change proposed.

Recommendations

1. **Remove the planting restriction cap on exotic forestry registrations**

- Considering the economic consequences of the cap on LUC Class 6 land, the cap is not clearly justified and introduces unnecessary complexity and uncertainty for landowners and investors.

  Recommendation: Remove the cap entirely to allow market-driven afforestation aligned with environmental safeguards.

2. **Alternative: exclude Only Permanent Forestry**

- If the cap is retained, limit its application to Permanent Forests, which appear to be the most significant driver of concerns around rural depopulation and land-use rigidity.

- By contrast, Production Forestry offers rotational land-use flexibility and economic benefits while still contributing to carbon sequestration.

  Recommendation: Refine the restriction to target Permanent Forests only, preserving flexibility for Production Forestry.

3. **Engage with the sector on reform implementation**

- The proposed ballot system for allocating ETS registration rights on LUC 6 land lacks operational clarity, is complex and limits transferability.
- Stakeholders require transparency on:
    - Permit eligibility and application processes;
    - Timeframes for ballot rounds and permit validity;
    - Transitional arrangements for existing investments.

  Recommendation: Establish a structured engagement process with forestry, farming, Māori landowners, and carbon market participants to co-design implementation details.

4. **Improve the Land Use Capability (LUC) Classification System**

- The LUC system, while foundational, lacks the resolution and consistency needed for regulatory decision-making.
- The national-scale LUC map may misclassify land due to coarse data, and property-level reassessments are costly and procedurally opaque.

  Recommendations:

  - Invest in updating the LUC system using high-resolution geospatial data and soil mapping.
  - Develop clear regulatory standards for property-level reassessments.
  - Ensure LUC classifications are fit-for-purpose for ETS eligibility and land-use planning.
  - Develop a clear and comprehensive database that assesses the profitability of different land-based activities that is agreed upon by different industry groups.

FOA welcomes the opportunity to engage with the Ministry for Primary Industries (MPI) in relation to its recommendations including for the improvement or development of a robust database.

Broader policy concerns – where should we grow forests?

FOA is deeply concerned that the proposed afforestation limits will generate a range of adverse economic, environmental, and social outcomes. While the restrictions may address perceived social concerns among farmers, such as avoiding competition on higher-class land, they do little to resolve pressing operational, safety, and environmental challenges.

Specifically, directing afforestation toward hill country (LUC 7–8) creates considerable risks:

- These lands are highly prone to mass movement and erosion, increasing the likelihood of slash mobilisation and off-site debris damage when slope failure occurs.

- Forestry located on gentler terrain (for example, LUC 6) performs better economically, offers improved worker safety, and reduces environmental hazards. For example, it costs approximately $300,000/km to construct a forestry road through LUC 7-8 land in Tairāwhiti.
- Restricting forestry to high-risk landscapes undermines sector viability and community resilience. Policy makers need to be mindful of the increasing risks from climate change, land use decisions must adapt to consider greater climatic extremes.

Moreover, the assumption underlying the Bill, that LUC 6 land is "highly productive" is not supported by practical land-use economics. If used exclusively for sheep and beef farming, much of this land becomes financially unsustainable. In contrast, LUC 5 and 6 land is widely recognised across the sector as ideally suited to Production Forestry due to its balance of accessibility, productivity, and lower slopes.

Constraining forestry on LUC 6 land will therefore:

- Limit (some) landowners' ability to pursue the highest and best use of their land.
- Distort afforestation incentives, pushing activity into areas of higher operational risk.
- Incentivise processing investment to be pushed offshore.
- Jeopardise rural economic development and employment opportunities.
- Reduce the ecosystem benefits offered by forestry on LUC 6 land.
- Force production forestry onto LUC 7–8 where marginal terrain is less productive, more erosion-prone, costlier to harvest, and offers weaker ecosystem co-benefits.

FOA maintains that rural landowners should retain the right to determine how their land is utilised, within a policy framework that accounts for both productivity and sustainability. A more equitable and evidence-based approach is needed - one that supports afforestation where it is most viable and avoids forcing production forestry into unsuitable terrain.

In the absence of ETS credits FOA contends that foresters are less likely to convert LUC 6 land into new forest plantings. Carbon revenue from New Zealand Units ("NZUs") has provided essential cash flow, typically on an annual or five-yearly basis, that supports early return on investment. Without access to ETS income, the return is delayed until harvest, significantly increasing financial risk. We acknowledge that this will reduce the attractiveness of forestry as a land-use option but consider that this approach is misplaced for the reasons outlined below.

Blunt instrument – the ETS is not for controlling land use

A hectare-based cap is a crude lever that ignores marginal abatement costs and site-specific ecosystem values.

The cap on afforestation on Class LUC 6 land reinforces forestry as a 'last resort'. Exotic forestry should be treated as a strategic land use across classes, not consigned to the least fertile soils.

Using the ETS to address diminishing profitability in sheep and beef farming is not appropriate and misaligns with the scheme's original purpose. As noted in the Regulatory Impact Statement ("RIS"), the ETS is designed to drive least-cost emissions abatement by applying a uniform price on emissions reductions and removals. It is not intended to serve as a mechanism for managing sectoral land use change. Using it in this way risks undermining its core function and distorting incentives, rather than achieving emissions reductions in a cost-effective manner.

The RIS assigns only a low to medium risk that additional mitigation may be required to meet New Zealand's NDCs. This seems inconsistent with the policy's potential to displace low-cost forestry removals, thereby increasing marginal abatement costs across the economy.

Further interference in the carbon market will likely affect its functioning and outcomes. However, the RIS provides little information on potential price or unit supply impacts arising from these interventions (for example, Climate Commission advice). The only acknowledgement comes in paragraph 149: "It will be too soon to tell the extent to which the level of the annual hectare limit influences the NZU price path until the system has been operational for several years." This suggests significant uncertainty. Continued policy adjustments risk being perceived as government 'tinkering', which could further erode investor confidence.

The characterisation of the ETS as a subsidy is ambiguous. Who benefits—forestry or emitters—depends heavily on the analytical starting point. Current ETS settings arguably subsidise agriculture by not fully pricing its emissions. The RIS does not adequately explore this dynamic, nor does it assess who ultimately gains or loses under the proposed changes.

Undervalued ecosystem services

Forests reduce nitrates, filter sediments, provide habitat, conserve soil and provide amenity and recreation value. ETS registration pays only for the carbon benefits, it does not recognise the many other nature positive improvements offered by forestry over other productive land use types.

The RIS adopts a myopic approach to consideration of the issue, with a singular focus on the social and economic outcomes for farmers and their communities. This is evident in the allowance for farmers to convert up to 25% of their land and arguments that young farmers will face significantly higher costs in establishing a farm (RIS paragraph 57). Overall, there is a lack of balanced consideration of the positive impacts of forestry and the environmental improvements compared to farming practices – less nitrogen discharges, overall improved water quality, ecosystem services and greater erosion protection.

Lack of evidence

Lack of economic impact analysis and insufficient information

The RIS does not include any substantive economic modelling assessing the future potential impacts of this policy. Without such modelling, particularly one that distinguishes between

plantation and carbon forestry, there is no clear economic evidence regarding the policy's effect on New Zealand's economic outlook.

The marginal analysis of impacts and costs is inadequate due to the absence of robust underlying data. If the analysis of the costs and benefits of this policy is to be taken at face value, there is no evidence that the benefits of this policy outweigh the costs.

There is also little discussion around how will Government develop, monitoring, and review the approach to accurately assess impact.

Assessing the counterfactual

The regulatory impact analysis needs to be forward-looking, assessing how alternative options address the problem over time. The status quo (counterfactual) should be analysed dynamically rather than presented as a static snapshot, considering how it is likely to evolve without intervention.

While this RIS describes the current situation, it does not sufficiently analyse the proposed intervention against a well-defined counterfactual. Without this, estimates of future impacts lack credibility, increasing the risk of inefficient or inequitable outcomes.

Addressing these substantive information gaps will require a full cost-benefit analysis, supported by robust evidence on the impacts of land use change. This should be underpinned by a whole-of-economy model capable of estimating the effects on households and businesses over time, as well as assessing how the policy may contribute to risks of failing to meet our NDCs.

Concerns with primary economic evidence

The primary evidence presented is a comparison of economic returns based on the methodology from Harrison & Bruce (2019), as presented in Table 1 stating that forestry is not viable without ETS credits. However, the summary table is misleading. The methodology does not differentiate profitability by Land Use Capability (LUC) class and offers limited transparency on how net present values ("NPV") for forestry (including both production and permanent exotic), and sheep and beef farming are calculated.

These issues are further highlighted as follows:

- Limited Representation of Pastoral Farming: The sheep and beef NPV reflects only a subset of pastoral farming, which includes North Island hard hill, hill country, and finishing farms, rather than the broader spectrum of sheep and beef farming types.

- The challenge of comparing sheep and beef farming with forestry with specific examples and generalising them is well known: The absence of any acknowledgement of this issue weakens the credibility of the analysis.

- Lack of methodology transparency: The referenced methodology (Harrison & Bruce, 2019) was developed to assess land use change specifically in the Wairoa district. It is unclear how this model has been adapted to reflect conditions across the rest of New Zealand.

- Unclear rotation age of forestry: The NPV in the reference paper assumes a 30-year rotation period for forestry, whereas the typical rotation age is closer to 26 years. This difference can significantly distort the forestry NPV.

- Lack of transparency on discount rate: The analysis does not disclose the discount rate (or spread of discount rates) used in the NPV calculations, limiting the ability to assess the robustness or comparability of the results.

- Lack of comparison of LUC classes in question: There is a lack of identification of profitability by LUC class, which is the issue driving this policy proposal. This doesn't allow for an appropriate comparison of what the underlying profitability of land use is and therefore the choices land-users make.

To address these significant problems more information is required including the underlying assumptions which the policy has been designed around. Analysis would need to occur at an LUC level to provide a robust assessment of profitability.

The RIS appears hastily prepared and lacks the analytical depth needed to make a compelling case. As a result, the issue is likely to require revisiting sooner than expected, particularly as unintended, perverse consequences begin to emerge.

Investor confidence and property rights

Certainty

Forestry is a long-term enterprise, with production forests typically requiring around 28 years to reach maturity for pine, which represents over 90% of the current estate. This long investment horizon demands enduring certainty across policy, market settings, and environmental regulations. However, ongoing and frequent regulatory changes undermine ministerial commitments to provide stable, long-term conditions for the land-based sectors. This unpredictability not only erodes investor and landowner confidence, but also threatens serious economic consequences, such as the closure of domestic processing mills and the withdrawal of foreign capital.

Foreign investment plays a pivotal role in linking New Zealand's forestry sector to global supply chains and in sustaining long-term commercial relationships. For both investors and processors, certainty around a stable wood supply is vital for business planning and viability. Forestry investments often involve collaborative models, such as joint ventures with landowners (including iwi), and rely on long-term harvesting, processing, and export agreements. Disruptive policy shifts can destabilise these models, strand capital, and generate substantial losses post-establishment.

Access to finance is similarly dependent on regulatory consistency. Lenders require confidence in the long-term viability of forestry ventures before underwriting establishment or expansion costs. Inconsistent policy signals raise perceived risk, often resulting in higher interest rates, more restrictive loan terms, and reduced capital access, particularly for smaller landholders.

ETS credits are supplementary to production forestry owners' long-term business plans, not the central driver. What forestry needs most is policy stability. Certainty underpins every stage of the forestry lifecycle: from initial planting and rural job creation to sustainable land management and meaningful contributions to New Zealand's emissions reduction targets. If New Zealand's policy environment is seen as unreliable, investment may simply shift to jurisdictions where long-term rules are clearer and more dependable.

Stability of the ETS – contradictory policies

The ETS remains the cornerstone of New Zealand's climate change response; it is the key policy lever that will drive New Zealand's progression towards a low carbon economy and ensure that our international commitments are met. To encourage participation in the ETS, stability and certainty that gives participants confidence to make multi-decadal commercial decisions is needed.

Currently 325,000 hectares of the 660,000 hectares of eligible post 1989 forests are registered in the ETS, it is a measure of the lack of confidence in the ETS that less than half of eligible forests are registered in the scheme. During consultation for the second Emissions Reduction Plan the Government agreed "*to restore confidence and remove uncertainty in the forestry and wood processing sector by providing regulatory predictability to the ETS".* The proposal to restrict ETS participation by LUC class directly contradicts this intent and undermines the Government's previously stated policies to provide stability and regulatory predictability to the ETS.

Property rights and land use flexibility constraints

Land use change has long been a defining feature of New Zealand's productive landscape, enabling rural communities to respond to evolving economic, environmental, and market conditions. However, the current policy direction, including the use of land class caps within the ETS, undermines this adaptability.

The ETS is increasingly being used as a blunt regulatory tool, effectively "picking winners", with land-use settings increasingly skewed by dominant farming narratives. Rather than enabling flexible, site-specific land decisions, the system now risks locking land into static uses.

The Bill restricts conversions in both directions: existing deforestation liabilities discourage movement from forestry to farming, while the proposed caps impede movement from farming to forestry.

The cumulative result is a land-use framework that limits rather than enhances flexibility, undermining the adaptive potential of landowners to respond to market demands.

Added to this are the regulatory constraints imposed by some regional plans (For example, Waikato Regional Plan (Waikato and Taupo districts), Bay of Plenty Regional Land Plan (Rotorua District),

Canterbury Regional Plan and Southland Regional Plan). These rules restrict conversions from forestry to farming to address the effects of nitrogen discharges.

The cumulative result is a land-use framework that limits rather than enhances flexibility, undermining the adaptive potential of landowners to respond to environmental pressures and market demands.

The proposed policy changes represent a clear infringement on property rights, undermining business confidence and restricting landowners' ability to optimise land use and maximise economic and environmental value. Limiting land-use options on a whole of farm basis, particularly on farms with significant areas of marginal land, reduces flexibility for farmers to pursue more profitable or sustainable alternatives, such as converting land to forestry. This diversification not only supports income stability but also contributes to soil resilience, reductions in nitrogen discharges, carbon sequestration, and wider rural community benefits through ETS participation.

Such restrictions contradict the long-standing principle of autonomy and government signals regarding the preservation of property rights. They risk diminishing the positive role forestry can play in integrated land management. Moreover, foresters rely on stable and transparent property rights to make long-term investment decisions. A regulatory environment that is durable, equitable, and supported by robust tools is essential for maintaining confidence and enabling sustainable land-use planning.

Land value implications

Excluding LUC 6 land from ETS eligibility is likely to place downward pressure on land values, particularly in regions where afforestation has driven investment demand. If ETS access is determined through a capped or ballot-based system, this uncertainty will need to be reflected in formal land valuations. Areas with a high concentration of LUC 6 land may experience disproportionate impacts.

Market choices and the history of the primary sector

The reforms of the 1980s unleashed a strong and resilient farming sector. At the heart of this policy was a market-driven model, where farmers responded to changing price signals. Restricting their ability to adapt to these signals diminishes economic efficiency and national welfare. Landowners are best positioned to determine the most productive and sustainable use of their land—not the government. Farming success in New Zealand is driven by:

- Market forces which play a critical role in shaping agricultural production. Rising demand for a crop typically drives up prices, encouraging farmers to increase output. Conversely, when demand weakens, prices fall, and production often contracts accordingly. This dynamic response mechanism is essential to maintaining a productive and efficient agricultural sector.

- Efficient farming which hinges on the optimal allocation of land, labour, and capital. Farmers must assess how best to deploy these resources to ensure economic sustainability. Creating

policies that interfere with this balance can reduce efficiency and lead to suboptimal outcomes across the primary sector.

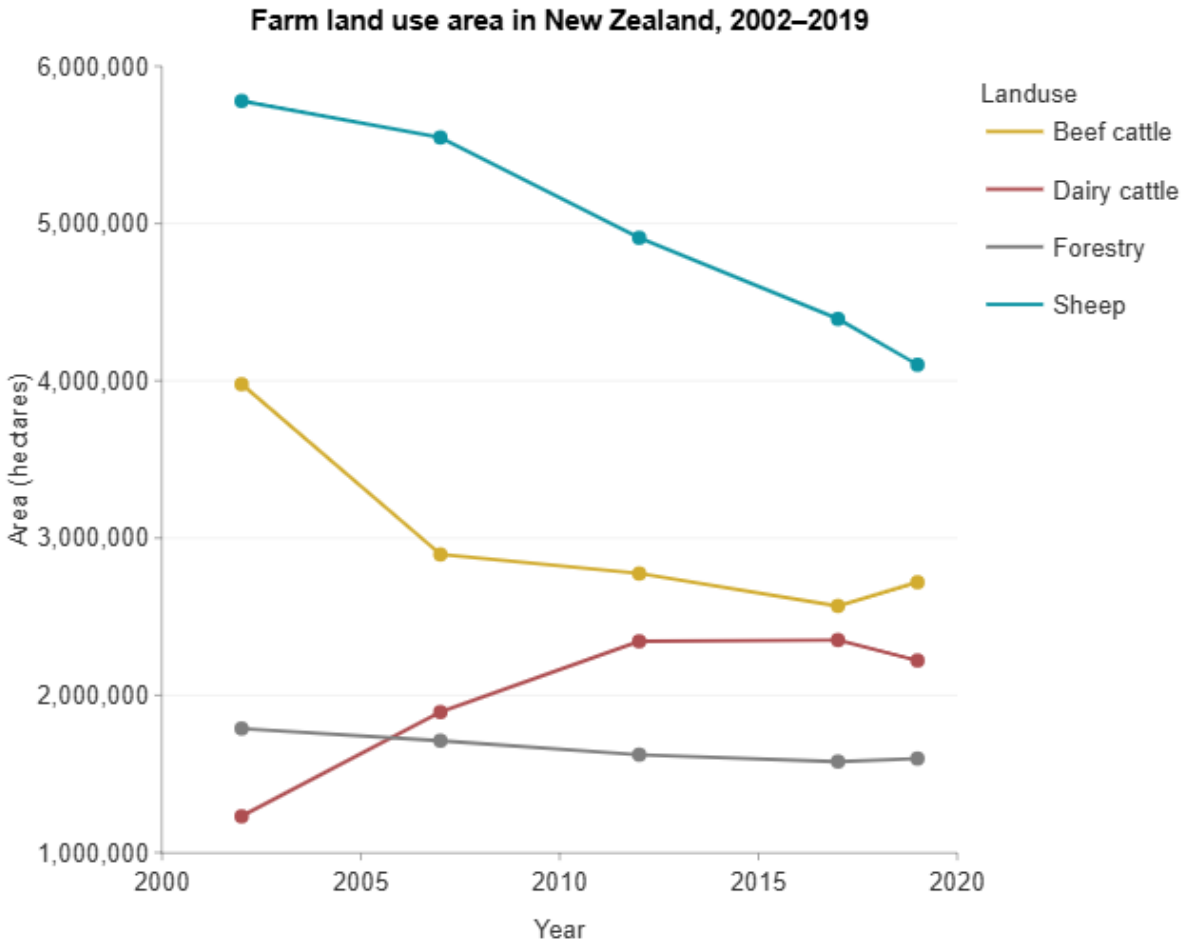
An historical example of market responsiveness is the period following the removal of agricultural subsidies in 1984. This policy change triggered a significant shift away from sheep and beef farming. Later, the signing of the China Free Trade Agreement and rising global demand for dairy further accelerated the transition toward dairy farming. By removing the ability to respond to market forces farmers will not be able to maximise economic value. This is critically important in an environment where the environmental pressures will require adaptive management and farmers will need to be responsive to wider market volatility.

As shown in Figure 1, stock numbers have been shifting overtime, with a notable decline in sheep and beef cattle numbers beginning in the 1980s (Table reference: AGR001AA – Agricultural Production Statistics). While the ETS has contributed to land use change, this is only one factor among broader market forces that have been influencing rural land use for decades.

To distinguish the impact of ETS on land-use, broader market trends must be considered to reveal the underlying impact. This would require estimates of international demand and prices over time to illustrate the prevailing market trends.

Figure 1: Stock numbers

Data from StatsNZ Farm Land Use Area.



Source: StatsNZ

Lack of consultation and evidence

Concerns regarding consultation, process and evidence

The proposed amendments appear to have been developed without the benefit of full public consultation prior to Cabinet consideration. Instead, the process has relied heavily on the 2022/23 ETS reviews and a limited set of targeted discussions. This approach is procedurally narrow and undermines the broader, integrated package of reforms the Government has signalled will be necessary to meet its forestry and climate change objectives.

The Bill has also been introduced in isolation from wider land-use strategy and climate policy. Its timing pre-empts important national direction proposals and dialogue around the role of forestry within long-term emissions reduction planning, biodiversity goals, and regional development.

Sectoral and community engagement has been insufficient

The forestry industry and regional councils have not been adequately engaged on the critical trade-offs between land use, wood supply chains, and rural economic resilience.

We note that the proposed Crown land carve-out, while acknowledged in the RIS, remains unanalysed in detail. This creates a perception of regulatory imbalance, allowing afforestation on public land while imposing constraints on private landowners, without justification or transparency.

In general, forest owners and investors expect genuine consultation prior to material regulatory changes that affect land-use rights, property values, and intergenerational investment planning. In this case, that threshold has not been met.

Moreover, there is a lack of evidentiary foundation for the key assumptions underpinning the proposal:

- Reports cited in support of the changes contain significant errors, including the incorrect claim that carbon forestry provides no regional employment, a position that disregards planting, monitoring, pest control, and permanent forest management roles.
- The regulatory rationale also lacks concrete data on forest investor behaviour, resulting in generalised and unsupported statements about negative impacts on community employment or land-use fragmentation.

Case Study

The Tararua District (page 26 of the RIS) is used as an example of widespread concern in the local community that the conversion of pasture to forests for carbon sequestration is large scale and is having negative effects on the environment and community.[2] However, there is no local-scale data on the actual size of changes in land use in the district and the speed of change.[3]

The Tararua example also shows that as much conversion occurred to honey farming as to Production Forest and that the majority of the land use change on class LUC 6 land has been to Permanent Forestry.

ETS ballot system consultation concerns

The government's proposed ballot system for afforestation of LUC class 6 within the ETS has been designed without consulting foresters. The system is complex and has the potential to add uncertainty to land purchases and increased administrative costs.

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[2] Based on a 2021 report. This report has been subsequently critiqued and found to lack evidential support
[3] Villamor G; et al, 2025, Understanding land-use transitions in rural areas of the North Island, New Zealand from 1996 to 2018: an intensity analysis approach

Averaging and permanent accounting measures

While we are still gathering data on the issue, our understanding is that a high proportion of ETS entries since the introduction of averaging January 1, 2023, have been in the averaging activity rather than permanent. This is significant in that averaging only awards carbon credits up to the average age of a forest and implies that a high proportion of ETS forests registered are expected to be harvested. More analysis and a clearer understanding of the intentions for the forests registered in the ETS would clarify the impact these changes might have on production forestry, wood flows, and timber processing.

Unintended consequences

ETS restrictions risk undermining wood processing and regional economies

The proposed ETS restrictions on exotic forestry on LUC class 6 land will not only constrain afforestation opportunities but also have cascading impacts across the wood processing sector. Sawmills, pulp mills, and export woodlots rely on consistent volumes of exotic timber, particularly lower-grade logs such as bin wood and pulp, which originate from rotational plantation forests established across various land classes. Limiting the supply from LUC class 6 land threatens the viability of these operations, further jeopardising regional jobs and infrastructure.

Loss of Feedstock and Processing Capacity

- Existing integrated processors who grow forests to specifications for their timber milling may find it more difficult to invest in local afforestation due to these restrictions. Often integrated operations may own the trees through a contract arrangement and not the land, meaning they will need to afforest a different property if the landowner decides not to replant with the same forestry partner following harvesting.
- Existing forest owners not impacted by the proposed LUC class 6 restrictions for new plantings, will face limited options for disposing of lower-grade logs and woody residues, especially if local mills close due to supply constraints.
- Without access to processing facilities, residues may need to be burned on site, increasing environmental risks such as slash pile runoff and woody debris mobilisation.
- These outcomes are directly at odds with policy commitments like *National's "Forests for a Strong Economy"*, which aim to address slash and other challenges through outcome-focused regulation.

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Bioenergy Supply and Climate Implications

- Biomass from exotic Production forests, including fibre and pulp logs, is a critical input for paper production, pulp manufacturing, and in some cases, energy generation where wood provides 100% of plant power needs.
- The New Zealand Wood Processing and Manufacturers Association (WPMA) has warned of fluctuating demands for biomass shortage with associated price escalation if there is a shortage.

Implications for the ETS

The RIS notes that "High and medium-versatility land is protected for farming while directing forestry to land less suitable for agriculture". However, the RIS acknowledges land use limitations (for example, erosion potential) can make harvesting challenging on some sub-classes of LUC class 7 (and LUC class 8 is generally unsuitable for production forestry) (paragraph 102 RIS). Yet it also acknowledges that MPI projects that between 0.97 and 1.44 million hectares of afforestation between 2021 and 2050 are needed to meet New Zealand's climate change targets. The implication is that afforestation is important to helping New Zealand achieve its climate change emissions budgets and targets.

Conversely the proposal calculates that there may be no impact on achieving emissions budgets and targets because the proposed limits on LUC classes 1-6 are estimated to be higher than projected afforestation rates. How much of the land available for afforestation must be afforested to meet climate change targets? If not sufficient, the proposal is reliant largely on afforestation on class 7 land. There is no evidence available to support the premise that foresters are willing to afforest class land.

Diminished capacity for nature positive investment

Within the 1.8M hectares of commercial forests in New Zealand, approximately 200,000 ha is set aside in protected, managed and enhanced native forest reserves. Pine forests provide habitat for 120 different native fauna species and forestry roads provide access for ease of predator/pest control. Ultimately, conversion of pastureland to forestry is a biodiversity net gain.

The income generated through carbon allows forest owners to further enhance biodiversity gains by investing in nature positive work such as predator, pest and weed control, and environmental research. Investment for biodiversity outcomes must be consistent and maintained to prevent reversion of predator/pest/weed prevalence. The income generated from carbon allows forest owners to invest in nature positive projects consistently and long term over successive forest cycles. Restricting ETS registration by LUC class will have an impact on the available income for nature positive investment.

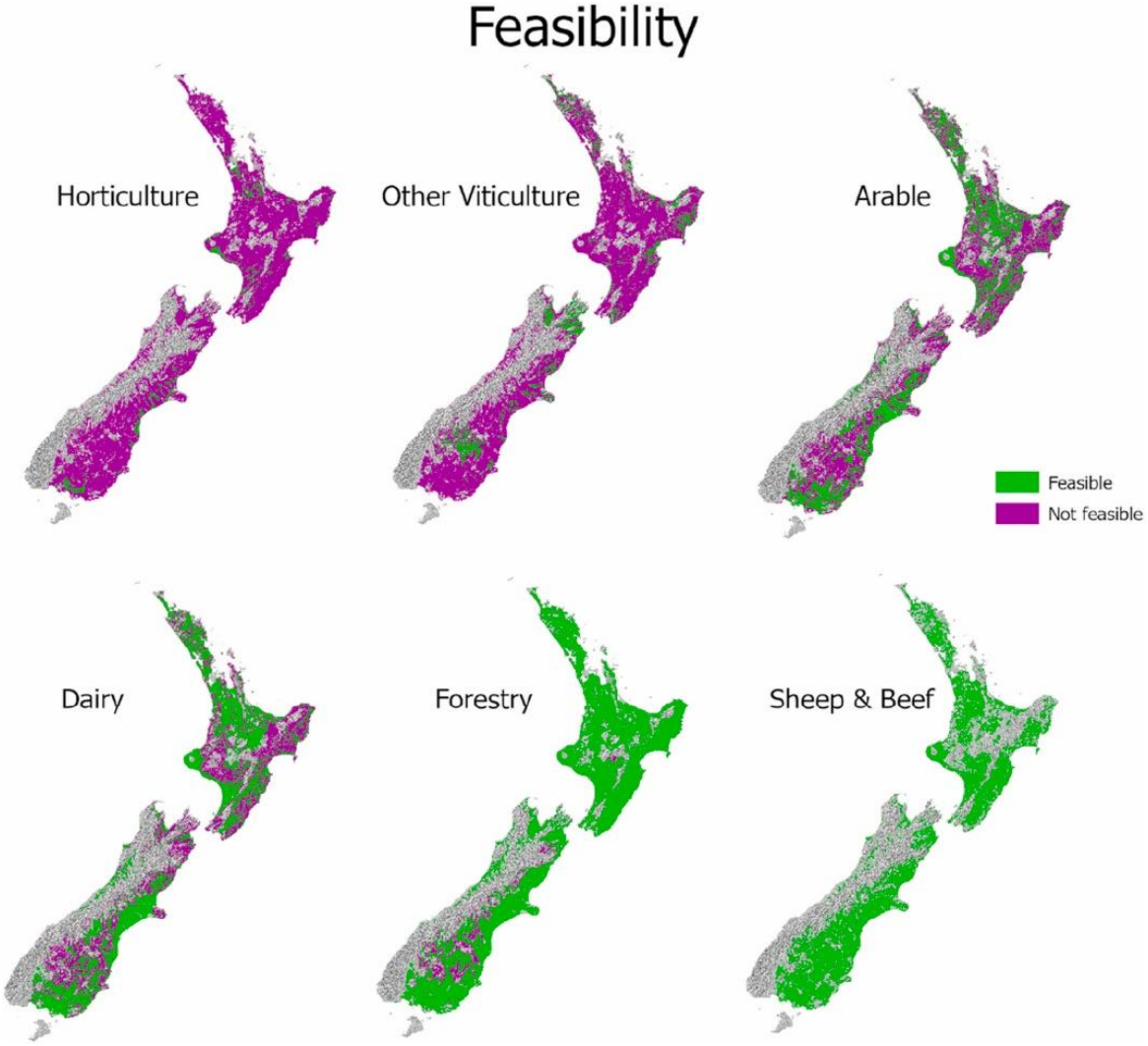
The constraints on LUC mapping as a classification tool

Reliance on LUC as a mapping tool is inappropriate as regions like Hawke's Bay and Nelson have superior soil data compared to other rural districts. This undermines national consistency and benefits landowners in regions with detailed databases. Landowners in regions without detailed LUC will incur an additional administrative cost to ensure accurate assessment. Property-scale LUC maps cost $6,000–$12,000 and are considered to be subject to gaming.

The RIS discusses the management of orphaned land but from a farming perspective. The proposal to provide a percentage allowance of conversion for LUC classes 1-5 appears to only apply to farmers wishing to convert and fails to acknowledge that forestry operators must also manage land that is generally suitable for afforestation on class 7 land but where there may be pockets of LUC 5-6.

There will be considerable overlap in land that is suitable for sheep and beef farming and forestry. A 2021 study by Harris et al in the Journal of Environmental and Sustainability Indicators[4] sought to improve upon LUC with an analysis of productive potential, combining economic and environmental constraints. In the map below you can see that there is considerable productive potential in both forestry and sheep and beef farming in similar locations. This is why it is critically important that landowners have choice and options in how they use their land, to optimize its environmental and environmental performance at the local level. We should also continue to investigate the use of more holistic measures like these to help policy makers and landowners make informed decisions about land use and the productive potential of their land.

[4] https://www.sciencedirect.com/science/article/pii/S2665972721000295



Closure

We do not object to the submission being made public. We welcome the opportunity for further discussion and engagement. We wish to be heard at Select Committee in support of our submission.

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