



Kyoto Forestry Association



NZ Forest Owners Association

Submission to the

Local Government and Environment Select Committee

Bowen House, Parliament Buildings,

WELLINGTON

on the

Resource Management (Climate Protection)

Amendment Bill 2006

31 May 2006

Email Secretariat : SC-LGE@parliament.govt.nz ;

1 Introduction

1.1 This joint submission is made by the Kyoto Forestry Association and New Zealand Forest Owners Association (“the Associations”) on the Resource Management (Climate Protection) Amendment Bill (“the Bill”).

1.2 The Kyoto Forestry Association’s spokesperson is Mr Roger Dickie of Roger Dickie New Zealand Limited.

1.3 The New Zealand Forest Owners Association spokesperson is David Rhodes, Chief Executive of NZFOA.

1.4 The Associations contact details are:

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1.5 The Kyoto Forestry Association (KFA) was formed to encourage the implementation, in New Zealand, of the United Nations Framework Convention on Climate Change (“the Convention”) and the Protocol to the Convention (“the Kyoto Protocol”) in ways which:

- a. Reflect the intentions of the parties to the Convention and the Protocol; and
- b. Encourage individuals and organisations to make appropriate land use decisions in order to further the intentions of the parties to the Convention and the Protocol; and

1.6 Membership of the Kyoto Forestry Association is open to all. At present, the Association’s membership includes individuals and organisations who have planted over 200,000 hectares of forest in New Zealand since 1989. Together, the Association’s

members represent over 30,000 individual New Zealanders who have invested in New Zealand forestry.

- 1.7 The New Zealand Forest Owners Association (NZFOA) was set up in 1926 as an advocacy group for commercial plantation forest owners, and is now one of the country's most active resource sector organisations.
- 1.8 NZFOA members' forests comprise more than 75 per cent of the country's plantation forests. With annual export earnings of \$3 billion, the industry is New Zealand's fourth largest export earner.
- 1.9 NZFOA adds value to its members' businesses by undertaking activities that are better handled collectively than by individual growers working alone, for example, fire prevention and control, forest health surveillance, training and safety.
- 1.10 NZFOA also represents the views of forest owners to Central, Regional and Local government, gaining credibility from the fact that it has support from the majority of New Zealand's plantation forest owners.

2 Summary of Submission

- 2.1 In summary, the Associations' joint submission is that:
 - a. The approach envisaged by the Bill is flawed and that the Bill will therefore not achieve its objective.
 - b. We concur with the Bill's Explanatory Note, that the evidence of creditable science is overwhelmingly in support of the premise that Climate Change represents a grave threat to the future of our entire planet, to our country and to our Pacific neighbours (Small Island States).
 - c. We oppose within the Purpose of the Bill, that Regional Councils must be directed to take into account the effect of greenhouse gas emissions on climate change, when—
 - (i) considering applications for air discharge consents:
 - (ii) developing rules in regional plans.

- d. Central Government, and the partisan democratic process, has failed to come up with Climate Change Policies that will see NZ meet the binding obligations that we as a nation undertook when the NZ ratified the Kyoto Protocol. We advocate a non-partisan approach to address our Nations policy crisis.
- e. We concur with the Green Party's recognition of the need to address land use inequities in their "Turn down the Heat" policy contribution as follows:

Carbon capture by the forester now needs to be recognised and some payment made for it to avoid a perverse incentive to deforest. This will improve the economics of retaining land in forest and discourage, but not prevent, its conversion to livestock farming. (page 6 of 16)

- f. We recommend that, in order to encourage land use decisions that will drive our nation's Net Position positive (atmospheric emissions of Green House gases (GHGs), less land-based Carbon Sequestration), and which reduce New Zealand's future liability under the Kyoto protocol, that Central Government adopt (and reflect in legislation) a policy that:
 - i. Leaves both the rights and obligations associated with carbon credits with the New Zealanders and organisations who have, through direct human induced land use change, enabled New Zealand to obtain removal units under the Protocol ("sink credits");
 - ii. Requires industries and organisations that create liabilities under the Protocol to obtain sink credits to offset those liabilities; and
 - iii. **Provide** an open market mechanism by which sink credits can be traded between individuals and organisations who choose to do so.

2.2 It is the Associations' joint submission that this proposed approach is necessary to give effect to the spirit and intention of the Convention and the Protocol. The approach is also necessary to encourage New Zealanders involved in both climate change positive and climate change negative activities to make economic decisions that will have a net positive impact on New Zealand's environment and its obligations under the Protocol.

3 Policy Intention

3.1 The policy intention of the Bill is set out in the Explanatory Note as being:

To repeal those sections of the Resource Management (Energy and Climate Change) Amendment Act (2004) which prevent the consideration of climate change in the granting of air discharge consents and the formulation of regional plans;

The Bill's stated rationale being that:

the Resource Management (Energy and Climate Change) Amendment Act removed the ability of local government to consider the effect of CO₂ emissions (and other greenhouse gases) on climate change when making rules in regional plans or determining air discharge consents. The rationale for this was that it would be dealt with through a national instrument. However, such an instrument has yet to be forthcoming

3.2 The Associations jointly submit that the abject failure of Central Government to provide workable climate change policy, and consequent failure to deliver a National Instrument to address GHG discharges to air, does not justify a 'downloading' of responsibility and cost to Regional Government.

4 Concerns about the Composition, Role and Capacity of Regional Councils

4.1 Regional Governments were by-and-large established on geographic boundaries of the former Catchment Boards – ie defined by one or more major catchment boundaries (such as the Waikato River). GHG emissions to air ignore such catchment boundaries. Regional Policy initiatives will inevitably be non-uniform and as such are highly likely to result in "Carbon Leakage" from region to region, with no net National benefit, ie GHG polluters and exacerbators will move from regions with stricter GHG regulatory regimes to those regions that, by inaction, are more friendly to polluters.

4.2 Expertise in GHG policy, and in particular economic cause-and-effect analytical capability underpinned by science is in short supply internationally and nationally. Little such expertise exists with Regional Council's Planning staff, and requiring a detailed understanding of the Kyoto Protocol places an unreasonable burden on the average elected councillor. Building capacity within Regional Councils would be

hugely expensive for the rate payer, at a time when Councils are already signalling large year on year rises in rates through their LTCCPs.

- 4.3 Some, in fact many, Regional Councils have clearly failed to manage NZ's water quality in the face of intensification of pastoral agriculture. Maintenance of water quality is (or should have been) one of our Regional Councils' core competencies. We cite the concern expressed by the Parliamentary Commissioner for the Environment in his report "Growing for Good", and the recent NIWA report about the compromised state of many of our Nation's lowland rivers and streams. The issue of Lake Taupo Nitrates is a case in point. Against this track record, we see little ability of Regional Councils to adequately consider the complexities of GHG emissions and the interrelationships of our primary land industries, our intensive energy users, and our transport sector.
- 4.4 We predict that under this Bill, Regional Councils will take the "easy path", being the introduction of Land Use Rules for forestry in their Plans to regulate, if not compel, certain land owners (ie forest owners) to sequester Carbon, instead of addressing the true cause of NZ's unenviable Net Position, being increased emissions from intensive agriculture and the fossil fuel derived emissions from NZ's Transport sector (relative to 1990). Although acknowledged to be inequitable, the on-going existence of inappropriate climate change policies for forestry continue to have a damaging effect on investor confidence and has contributed to the fall off in new plantings since 2000. Replication at the Regional level through Regional Plans that consider Climate Change would compound the Nation's problems in meeting its Kyoto obligations.
- 4.5 We note that the Bill has been described as a "backwards step" by one major Regional Council: We cite the following from the Auckland Regional Council "*Climate change is a national and global issue. Regional controls, through regional plans and air-discharge consents process cannot be effective without national controls - there absolutely needs to be national consistency. We [ARC] have Kyoto targets and such things as cross-boundary issues, which are not adequately addressed in the RMA – failure to deliver on these will mean failure to deliver on any real greenhouse gas reduction and further confusion and cost for all involved,*" [Paul Walbran, Chair of ARC's Regional Strategy and Policy committee, 18 May 2006]. Our Associations concur with this analysis.

5 **NZ's Obligations Under the Kyoto Protocol**

- 5.1 New Zealand is obligated by the Protocol to ensure that its greenhouse gas emissions at the end of the first commitment period ("CP1") are no higher than the level of emissions as at 1990. Given the likely scenario that emissions at end CP1 will almost certainly be higher than 1990 levels, New Zealand is required to take responsibility (in the form of purchasing credits) for that excess.
- 5.2 New Zealand's emissions at the end CP1, net of sequestration in forests, must be matched by emissions units that are obtained under the Protocol. A key method for this is the domestic creation of removal units through the afforestation or reforestation of land that was not in forest as at 1990. These "forest sinks" can be used to offset domestic emitting activities.

6 **Forest Sinks**

- 6.1 Forestry is a highly effective method of sequestering carbon. A cubic metre of wood contains about 250 kg of carbon, while a cubic metre of air contains about 0.117 grams of carbon. This means that a cubic metre of wood contains the same amount of carbon as 1.4 million cubic metres of air. Trees are also capable of concentrating carbon, a forest growing at the rate of 10 m³ wood per hectare per year is absorbing the carbon from 14 million m³ of air (a column of air 1400 metres high on one hectare). The combination of photosynthesis and a tree's ability to lay down wood (cellulose and lignin) acts as a powerful concentrator of carbon from the atmosphere into a fixed form.
- 6.2 New Zealand's strategy to meet its obligations under the Protocol relied on previous projections of New Zealand's net position throughout CP1. This position was contingent on continued afforestation at the historical rate (estimated to be approximately 40,000 hectares per year).
- 6.3 This rate of afforestation has not continued. In fact, New Zealand's planting rates have fallen sharply over the past 5 years. New tree planting has fallen from a peak of 100,000 hectares in 1994 to less than 6,000 ha in 2005 (MAF estimates, Feb 06). Evidence collected by the Ministry of Agriculture and Forestry confirms that New Zealand has now moved to actual deforestation as land owners alter land use away from forestry to more economically positive land use such as pastoral farming.

- 6.4 Kerr, Brunton and Chapman in *Policy to encourage Carbon Sequestration in Plantation Forests* (Motu Economic and Policy Research, 2004) identify three possible drivers for the decreasing plantation rates:
- a. Existing forestry owners are concentrating on management of existing stands rather than replanting;
 - b. Future returns on planting (as indicated by current wood prices) are not sufficient to encourage planting;
 - c. New investors who might have established new forests may have been discouraged by negative press regarding forestry industry returns and New Zealand's Central Government policies in respect of the Protocol.
- 6.5 The decreasing rate of afforestation and increasing rate of deforestation is having a dual effect in respect of New Zealand's obligations under the Protocol:
- a. New Zealand will have significantly less forest sink credits available to offset its emissions liability than the Government's strategy assumed.
 - b. Deforestation, in addition to decreasing the availability of sink credits, will increase New Zealand's emissions liability. The Protocol treats the removal of forestry as being equivalent to carbon producing activity. Much of NZ's deforested land is being converted to intensive pastoral agriculture, with resultant increases in Methane and NO_x (both potent GHGs)
- 6.6 New Zealand's liability under the Protocol will therefore increase by virtue of the same land use decisions that are diminishing the country's ability to meet that liability. This creates a significant Sovereign risk to the country as, in the event that New Zealand cannot offset its liability domestically, it will be required to purchase credits on the international market. Recent developments on the carbon credits market suggest that the cost of those credits is likely to far exceed previous Ministry of Economic Development and Treasury estimates.

7 Plantation Forestry and Climate Change

- 7.1 It is the Associations' joint submission that the encouragement of plantation forestry for commercial purposes by Central Government is essential to meeting New Zealand's

obligations under the Protocol. It is also the Associations' submission that plantation forestry is a significant contributor to climate change positive outcomes.

- 7.2 The essence of the Protocol is a market-based system that allocates the costs associated with carbon emitting behaviour to the states responsible for that behaviour. Similarly, the benefits of climate change positive behaviour flow to states responsible.

On a domestic level, the challenge is to reflect that approach in a manageable way in order to:

- a. Discourage “polluters”; and
- b. Encourage the creation of carbon sinks.

- 7.3 At its simplest level, any domestic policy that seeks to encourage Kyoto compliant behaviour must act to make the establishment of carbon sinks an attractive land use option when compared to the other options available to the land owner. That calculation is made on the relative allocative and dynamic efficiencies of particular land use choices.

- 7.4 It is the Associations submission that devolution of carbon credits to forest owners is necessary if there are to be any incentive effects from the proposed scheme. A devolved system allows the market to correctly identify the most economically appropriate method of providing for carbon sequestration by providing economic

- a. Disincentives for deforestation / alternate land uses;
- b. Incentives for replanting existing forest as it is removed (both commercial and non-commercial); and
- c. Incentives for afforestation of non forestry land.

- 7.5 Critically, Central not Regional, Government needs to improve the investment climate if afforestation is to proceed. Central Government can do this now under existing provisions in the RMA by way of creating a National Environmental Standards (NES) for Plantation Forestry that would be matched by an Industry endorsed Code of Practice (COP). A robust COP would define the means by which the NES would be achieved. Regional Councils for their part would partner with Central Government to advance Plan Changes to make all aspects of Plantation Forestry, from planting, to roading and

culverts installation through to harvesting a Permitted Activity. This proposal would pick up from where the MfE's 1999 attempt "The Way Forward, Forestry and the RMA" ultimately stalled. The positive impact of such a move should not be underestimated.

8 Recommendations

- 8.1 Do not enact this Bill.
- 8.2 Continue to retain responsibility for Climate Change Policy at Central Government level, by adopting a non-partisan approach to policy development so that NZ can become a winner under Kyoto, while helping ourselves and our pacific neighbours to adapt to the worst of the inevitable adverse effects of climate change.
- 8.3 Central Government is urged to adopt a national approach to incentivising the establishment and maintenance of forest sinks, rather than attempt to devolve this responsibility to Regional Councils who are highly likely to use the inefficient (blunt) instrument of Land Use Plan provisions, with unpredictable and perverse outcomes.
- 8.4 Our two Associations have, in combination with the Federation of Maori Authorities and the NZ Farm Foresters Association, proposed a **Six Point Solution** which Central Government is called upon to urgently implement, being:
 - a. Removal of the inequitable, retrospective 'deforestation cap'.
 - b. Allow land owners with Kyoto-qualifying forests (forests planted from 1990) – as well as those replanting non-Kyoto forests after harvest – to financially benefit from the value of the carbon their forests remove from the atmosphere.
 - c. Introduce broad-based carbon charges, ensuring that all emitters of greenhouse gases face the same opportunity costs.
 - d. Ensure that New Zealand's Kyoto policies have the best long-term outcomes for New Zealand, even if they don't exactly mirror current Kyoto rules.
 - e. Develop a regime which puts a value on the environmental attributes of forestry, thereby encouraging investment in the sector.

- f. Act immediately. Because forestry will inevitably be part of any rational climate change policy developed for New Zealand, forestry policies should be developed now to help the country meet its carbon emission obligations in the first Kyoto commitment period. Other policies may take longer to develop.

We request the opportunity to be heard in support of this submission.

A handwritten signature in black ink, appearing to be 'D. Ball', written in a cursive style.