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

Dear Sir/Madam

Further feedback on options for ETS permanent forest category

Thank you for the opportunity to provide further comment on the options for the future direction of the ETS permanent forest category.

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

We welcome the opportunity to respond to this consultation. Council acknowledges the Minister's decision to take more time to consider how best to deal with new permanent carbon forest in the ETS.

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We would be grateful for acknowledgement of receipt of our further feedback.

Yours faithfully

Heather Mabin
Chief Executive Officer

West Coast Regional Council feedback on options for ETS permanent forest category

Introduction

The West Coast Regional Council (the WCRC or the Council) appreciates the opportunity to provide an additional submission on the options for the future direction of the ETS permanent forest category.

Council supports in principle the Objective in Appendix 1 of the Minister's letter:

"A permanent forest category that provides for effective management of forests supported through the NZ ETS, and that delivers forests which provide positive outcomes (e.g. indigenous biodiversity, soil and water health, ongoing jobs and income) while contributing removals towards our targets."

WCRC comment:

WCRC believes permanent forestry should also be managed to deliver reduced risk of debris fall and natural land subsidence. WCRC do not necessarily believe that all the suggested outcomes deliver the objective.

1. Forests supported by the category realise positive long-term outcomes as part of Aotearoa New Zealand's climate transition

Inclusion of:

- *transition forests (regeneration)*
- *transition forests (strip harvesting or cross-subsidisation)*
- *continuous cover forest models.*

WCRC comment:

The WCRC ***gives partial support*** for the use of additional permanent forest cover to contribute to the Emissions Trading Budget.

Partial support is given due to concerns that:

- Permanent forest can be detrimental to the economy and the environment
- Permanent forest can negatively impact rural West Coast communities.

Over the long-term, permanent forests can result in low, long-term economic activity and job creation in the area directly surrounding that land relative to competing land uses (generally sheep and beef, deer, and production forestry).

This result is somewhat due to the strict regulations around permanent forestry management.

If there is a role for permanent forests further research on which species may be appropriate is required. Areas of marginal, hilly land that are unsuitable for sheep, beef or deer being used for production forestry would suit being reverted to permanent forestry.

The ETS does not currently allow for alternative management of these permanent forest areas resulting in the following perverse outcomes of the management regime:

- the lack of economic incentive to retain pre-1989 indigenous forest cover; and

- the lack of flexibility around management of existing permanent forest cover.

This results in greater incentives for West Coast landowners to consider removal of existing forest cover.

Where consistent with previous feedback, WCRC supports Option 3(a) in the discussion document. This option will limit permanent exotic forestry from registering in the permanent post-1989 category in the ETS, with some exemptions to be set out in the regulations.

2. Forest owners are held accountable for delivering effective forest outcomes

For example:

- *forests are not operated as 'plant and walk away',*
- *transition forests using regeneration are attempted at manageable scale, and in sites with suitable conditions – such as indigenous seed sources*

Options:

- *All forests required to have forest plans.*
- *Bonds.*
- *Pauses in unit earnings or defaulting back to averaging.*
- *Audits of forest management plans.*
- *Forest management requirements linked to outcomes for forests at different ages of forest.*
- *Providing information on forest regime to the regulator (e.g., stocking rate and silvicultural regime).*
- *Requiring transition in no more than one rotation.*
- *How long-term risks are managed towards end of forest life.*

WCRC comment:

The WCRC recognises that there may well be benefits to increased populations of indigenous species and habitat from native carbon afforestation. There is a risk of monoculture monopoly with this approach.

On the West Coast, native carbon afforestation may not necessarily provide a more diverse range of habitat if only the faster growing or best carbon sequestering species of native trees are planted.

The West Coast could end up with more of the same type of native vegetation and no increase in biological diversity of those indigenous species or habitats that are underrepresented.

The WCRC is concerned about the additional administrative requirements associated with forest plans, bonds, NES-PF compliance and monitoring requirements. The WCRC does not have the resourcing or expertise to perform these functions.

3. Effective financial management of forests occurs over long-term

For example, landowners understand and are able to manage the decrease in carbon stock for 'transition forests' as these are managed to indigenous.

Options:

- *Bonds.*
- *Examine carbon accounting for novel forest types.*
- *Re-visit look-up tables (including for indigenous).*
- *Long-term forest health and carbon stocks.*

WCRC comment:

The WCRC considers that the ETS 'door' should be kept open for permanent carbon forestry, but provide only for permanent native carbon forestry, in circumstances where this is appropriate.

It is unclear if the proposed changes are economically feasible and appropriate, or if low carbon emission land uses that will maintain the cultural, environmental, economic and social wellbeing of the West Coast. The outcomes relies on the premise that native afforestation is a viable alternative to exotic carbon forestry as it is better at carbon sequestration and more self-sustaining. Native afforestation is also a low, long-term economic activity and will have the same effects on small rural West Coast populations as permanent exotic carbon forestry.

The advantage of this approach is that restoration of native forests and drained peatlands, and improving the sustainability of managed forests, generally enhances the resilience of carbon stocks and sinks.

In managed forests, adaptation options include:

- sustainable forest management,
- diversifying and adjusting tree species' compositions to build resilience,
- managing increased risks from pests, diseases, and wildfires,
- the risk of wind-blown timber and ageing trees affecting land stability is an issue.

4. Stable NZ ETS price and market conditions are maintained in the long-term, and the category can be fairly accessed

For example,

- *long-term supply volumes are effectively managed,*
- *requirements are not so onerous that they prevent smaller scale landowner or community participation, and*
- *benefits of the category are not concentrated solely towards larger scale commercial entities.*

Options:

- *Management of overall volumes per annum.*
- *Enhanced public reporting of information.*
- *Weighting or scoring of applications.*
- *Limits by geographical characteristics (e.g., Land Use Classification (LUC), erosion susceptibility).*

WCRC comment:

The WCRC supports additional incentives to enable wider participation in the ETS.

The WCRC wishes to reiterate suggestions specific to the West Coast Region, where support for participation in the ETS would stimulate the economy and the transition to a low carbon economy.

While outside the scope of the letter, these suggestions are:

The WCRC request that an incentive is considered in the ETS for managing and encouraging sphagnum moss wetlands.

Some marginal land on the West Coast may have potential for sphagnum moss harvesting where the land is boggy with a relatively higher water table. Sphagnum moss wetlands enable retention of a wetland with a productive use as opposed to converting into some other form of productive land use.

The ETS needs to provide carbon credits for existing permanent native carbon forestry, which are accounted for in the New Zealand Emissions budget. This is because West Coast landowners are unduly penalised for retaining native forest cover on private land. Other Regions cleared forest land for other productive purposes prior to the regulations coming into place. This means landowners in other areas are free to use their land for any productive purpose, while landowners on the West Coast must retain their permanent forest cover, with no economic incentive.

The WCRCs submission on “Te Ara Paerangi Future Pathways Green Paper 2021” also sought that research be undertaken to identify options for increasing the economic value of wetlands and indigenous forest. These natural resources need an economic value as an incentive for private landowners to protect and retain them on their land.

5. Forests meet environmental and other forest management good practice
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For example,

- *health and safety risks for harvest on steep marginal land are well prepared for and managed,*
- *fire breaks and other practices to manage fire risks are used.*

Options:

- *Links to the resource management system in CCRA.*
- *Forest management plans.*
- *Expanding National Environmental Standards for Plantation Forestry (NES-PF) to cover ‘carbon forestry’.*

- *Industry code.*

WCRC comment:

The WCRC believes greater flexibility needs to be considered in how permanent forest areas are managed to provide for sustainable harvest, wind-blown harvest and under-storey management.

West Coast waterways are frequently impacted by timber debris entering rivers during periods of heavy rainfall. As the rivers clog with dead wood debris, flow capacity is compromised. This results in the damming of waterways, which when released, has significant impact on downstream structures (roads, bridges and stopbanks) and land. This issue has grown since the selective logging of permanent native forested areas ceased. The risk of wind-blown timber and ageing trees falling, affecting land stability, is an issue.

6. Risks to rural communities from the category are managed

Options:

- *Management of overall volumes per annum.*
- *Limits by geographical characteristics (e.g., LUC, erosion susceptibility).*
- *Consider specific needs of Māori rural communities.*

WCRC comment:

It is unclear how these options will benefit rural Communities. There is a risk that social and economic impacts are felt in rural Communities as land areas are locked up for permanent forestry. Often the landowner will not live in the community, particularly if owned by a corporation. Therefore, any economic advantage is taken from the local community. The limited job opportunities in permanently forested areas adversely affects rural communities. The flow on effects is loss of social connection, dropping school rolls, loss of volunteers and social services. There would be a subsequent loss of population-based funding to the community, such as health services and education.

7. The category can support whenua Māori to realise aspirations for the land

For example, the category provides land use options that can be suitable for marginal land. The Crown works with Māori to identify options for Māori land and outcomes sought in addressing issues related to permanent exotic forestry.

Options:

Permanent forest regime provides forest options suitable to marginal land (where production forests are not suitable), e.g., transition forests, continuous cover forests.

WCRC comment:

The WCRC strongly supports provision of redress of historical issues around Iwi/Māori in the carbon farming industry, supporting whenua Māori to practice kaitiaki, tino rangatiratanga and benefit from the NZ ETS, and potentially enabling locally tailored approaches to carbon forestry.

Original submission

Issues with proposals for restricting permanent exotic afforestation

Risk of negative impacts on West Coast rural communities

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

The West Coast has a sparse rural population, with areas of marginal, hilly land that are unsuitable for sheep, beef or deer being used for production forestry, and some areas that would suit being reverted to permanent forestry. Some marginal land on the West Coast may have potential for sphagnum moss harvesting where the land is boggy with a relatively higher water table. WCRC understands that this type of land may be more profitable per hectare for sphagnum moss harvesting than other primary production, for example, dairy farming¹. There is currently no incentive in the ETS for managing and encouraging sphagnum moss wetlands.

If there is a role for permanent exotic forests on the West Coast, particularly indigenous forestry, WCRC considers further research is required on which species, including exotics, that may be appropriate. The ETS currently does not allow for alternative management of these permanent forest areas. This results in several perverse outcomes of the management regime: one is the lack of economic incentive to retain pre-1989 indigenous forest cover, and the second is lack of flexibility around management of existing permanent forest cover. This results in greater incentives for West Coast landowners to consider removal of existing forest cover. The WCRC also considers greater flexibility needs to be considered in how permanent forest areas are managed to provide for sustainable harvest, wind blown harvest, and under-storey management.

Risk of negative biodiversity impacts from exotic carbon forestry

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

¹ Pers comm, anon, sphagnum moss harvester, 13/4/2022.

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

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

The WCRC's submission on "Te Ara Paerangi Future Pathways Green Paper 2021" also sought that research be undertaken to identify options for increasing the economic value of wetlands and indigenous forest. These natural resources need an economic value as an incentive for private landowners to protect and retain them on their land. None of this land is currently accounted for in the national Emissions Trading Scheme. Currently the only economic incentives are to clear the pre-1989 indigenous forest and plant pines. WCRC reiterates the need for more investigation into incentivising existing, permanent native carbon forestry, options for managing existing permanent forestry and investigating other species.

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

Feedback 1

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

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

Timing issue with proposed change

WCRC agrees with Economist Adolf Stroomberger's view², that with no incentives for new permanent exotic carbon forests to be planted, and because native forest is much slower to sequester carbon, this will leave a big gap in New Zealand's carbon reductions in the short term. New Zealanders will pay for having to buy carbon credits from other countries, with the cost estimated to be around \$2billion. WCRC understands that the discussion document does not address the cost of the gap left from less exotics being planted in the short term.

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

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

Feedback 2

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

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

Support for LGNZ submission

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

² Pers comm, Adolf Stroomberger, Chief economist at Infometrics 5/4/2022

exotic carbon forestry, and provide for permanent native carbon forestry, in circumstances where this is appropriate on the West Coast.

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

Feedback 3

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

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

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

Feedback 4

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

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

Alternative management

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

“...Alternative use of biomass production on marginal land for biofuel is another area that the WCRC believes requires research and investigation....Identifying suitable and available areas on the West Coast to grow energy crops....could be in conjunction with forestry land. It is estimated 50,000ha of land is required.”³”

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

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

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

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

Feedback 5

That the Government supports further research on:

³ West Coast Regional Council's Resource Management Committee workshop on the draft submission on the Government's Emissions Reduction Plan Discussion Document, 19 November 2021.

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

This ends our feedback.