



Submission to the Productivity Commission on the low-emissions economy draft report

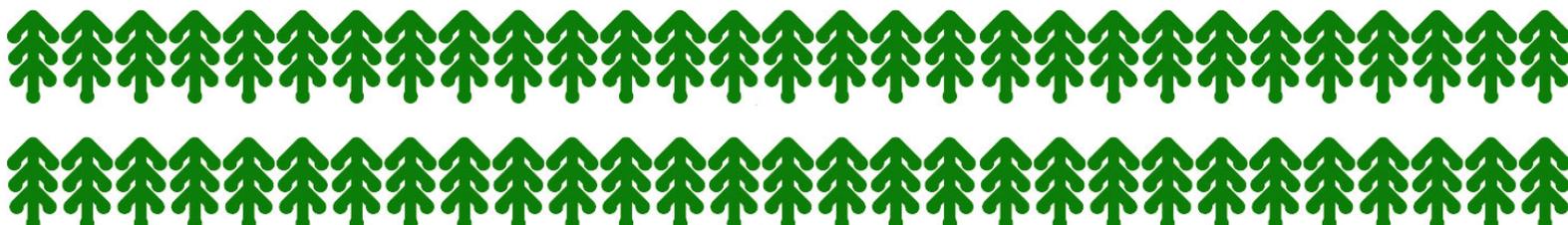
8 June 2018

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THE SUBMITTER

1. 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 80% of the annual harvest. The New Zealand harvest is 33.5 million tonnes this year, with resource available to increase to over 35 million tonnes over the next five years.
2. Forestry contributes \$1.3b to New Zealand's national GDP, with exports of more than \$6b.¹
3. Our views on the draft report are confined to comments on Part 4 (section 10), which relates to land use and the recommendations for encouraging land use change.

FOA COMMENT ON THE LAND USE SECTION OF THE DRAFT REPORT

4. FOA endorses the report's findings that wide-scale land use change, as suggested by the report, will be necessary to move to a low-emissions economy. This conclusion has also been reached by other independent reports, notably, the Globe report in 2017, the Parliamentary Commissioner for the Environment's Report on a Carbon Zero Act, Pure Advantage, and this week, the MFE Stocktake Report on adapting to climate change.
5. FOA recognises that the target of 1.3 to 2.8 million new hectares of planting will be extraordinarily challenging – but is achievable. We agree with the Commission that most of the target land is currently used for hill country sheep and beef farming. In order to encourage moving to planted forests, the landowners with suitable land for afforestation will need to be sent very strong market profitability signals for planted forests.
6. FOA considers these market signals will need to well over-ride the market returns of sheep, beef, and deer, otherwise there are few incentives for landowners to consider alternatives to the status quo. Price and markets are always going to be the main driver for land use change.
7. The FOA endorses the call by the Productivity Commissioner to introduce agriculture to the ETS for the reasons given in the report. The fundamental conclusion of the Commissioner is that anything other than land use change to achieve the needed economic transition is implausible.

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1 NZIER Report – Plantation Forest Statistics <http://www.nzfoa.org.nz/resources/file-libraries-resources/discussion-papers/602-nzierreport-2017/file> and the latest MPI SOPI report <https://www.mpi.govt.nz/news-and-resources/open-data-and-forecasting/situation-and-outlook-for-primary-industries-data/>

8. Given this, it is essential that all land uses, and potential land use investors, face consistent signals as was envisaged in the 'all gases all sectors' design of the ETS. Consistent with this the report notes that "an emissions price that covers all land use", including agriculture, should be the main driver of change'. The application of this can be undertaken through a 'measured phase out of free allowances for agricultural producers' as proposed in the report. This should commence immediately with the transition pathway clearly signalled. This was also the conclusion of the 2011 independent climate change review panel. Without such consistent policy, the message is that land use change will be much more difficult to achieve.
9. Recommendation 10.4 suggests that removal of free allocations to agriculture should be linked to other countries' policies and/or scientific solutions to reduce pastoral farming emissions. NZFOA submits that R10.4 is not consistent with the imperative to send strong, clear and certain signals to pastoral landowners and to forestry and horticulture investors. This would give land users and owners confidence that the systems being used in the future are within New Zealand's control. Land user confidence is essential for wide-scale land use change.
10. Recommendation R10.4 should be changed to remove any reference to overseas policies or mitigation options. This is a key reason pastoral farmers cite to justify the status quo and is the reason that afforestation has stalled.
11. To address this barrier to land use change, FOA submits that the rate of removal of free allocations to pastoral farmers should be specified sooner rather than later at levels that will result in either reduced stock farming emissions or land use change to horticulture and forestry. The FOA suggests that the effectiveness of those levels be reviewed and reset at five-yearly intervals.
12. Recommendation 10.4 should go further and require that such review should primarily be driven by progress towards achieving agriculture emissions that are at similar or lower levels to those delivered by forestry and horticulture per hectare. Whether these levels are achieved by scientific breakthroughs, precision farming or land use change is immaterial – but they must be achieved.
13. Regardless of arguments to delay or soften the entry of agriculture into the ETS it is the impact of the timing and rate of entry on conversion of grassland to forestry or horticulture that matters. New Zealand should not be reliant on overseas country policies or advancements in science to set the timing or level of removal of free allocations.

14. FOA submits that the ETS should be reviewed so that enduring carbon credits can be sold for supplementary income, and not clawed back on harvest. This would allow an increase in the percentage of enduring carbon credits that can be sold without risk of clawback on harvest. The FOA suggests that averaging and calculation of carbon in harvested wood products is a solution to this. The ETS should not discriminate on timing of planting trees. It makes no sense for land owners to be disqualified from participation for planting on land that was previously in forest (as it is the trees that sequester the carbon, not the land).
15. It is equally important for government to signal that liability and response will occur at the individual farm level. It is only by operating at this level that the ETS will be effective at driving behaviour change.
16. The price of New Zealand units under the ETS will be key, as will reviewing the policy of free allocation to EITs (emission intensive and trade exposed), especially to cement manufacturers as their product directly competes with cross-laminated timber and other wood products in the construction market.
17. In summary, FOA consider that if R10.4 is implemented as it is currently worded, that conversion to low-emissions land use will simply not occur. The price and market signals for land use change need to be stronger and provide more equitable market conditions between planted forestry and other land uses.
18. FOA notes that most South Island council plans have policies and rules on dryland/flow sensitive catchments and landscape amenity effects that prevail over the recently gazetted National Environmental Standard for Plantation Forestry, which combine to impose severe constraints on afforestation. Further, the Gisborne District council is actively negative toward plantation forestry, and uses a number of mechanisms to stall or delay resource consents for roading and harvesting activities. These barriers to transition to planted forests currently appear insurmountable, but will also need to be addressed if even half a hectare of land is to be afforested.
19. FOA considered that vigorous encouragement and provision of research and development that supports improvements in planted forestry production should be included in the report. Increased funding for these activities gives assurance to land owners about the low-emissions goals to which they are contributing.
20. Research should be sustained for developing a scientific solution to biological emissions.
21. FOA considers that continuity of planting over a full rotation will be important. This will give regional age class consistency in order to give the New Zealand wood processing industry the confidence to invest and expand. This certainty will improve the profitability of forest growing, as and when international shipping faces the true cost of its carbon emissions, significantly increasing the cost of, and decreasing the profitability of, raw log exporting.

22. FOA considers that encouraging the use of timber in the built environment is an important contribution to a low-emissions economy. Policies such as Rotorua Lakes and Gisborne District Councils' Wood First policy are good examples of this approach but do not go far enough.² A policy that is mandated by both central and local government, should require buildings up to two storeys high to be designed and costed based on timber construction. This policy would encourage faster education and uptake by architects and engineers.
23. As well as the barriers to land use change mentioned above, FOA highlights that labour is short for many aspects of planted forests, such as planting, pruning, thinning, and harvest. These shortages are constraining the forest growing sector. Labour availability is severely constraining afforestation aspirations. This barrier needs to be addressed by improvements in availability of seasonal labour, whether this is aimed at domestic workers or temporary migrant labour. In addition promotion and an improvement in training facilities for young New Zealanders to choose forestry as a full time career should be better funded and assisted through Te Uru Rākau.
24. FOA highlights the imperative of increasing carbon sequestration well before 2030 and even more by 2050 and notes that a hectare of harvestable radiata pine at age 25 will have sequestered about 900 tonnes of carbon dioxide. A plantation of pines on harvest rotation will sequester about 600 tonnes per hectare. A regenerating podocarp forest will have sequestered about 300 tonnes of carbon dioxide at 40 years. This huge difference in volume and rate between species has profound implications for the area and timing of the planting necessary to reach greenhouse gas emission mitigation targets.³
25. The FOA would like the report to reflect the importance of exploring the potential for bio char as a mechanism for carbon capture. The practice converts agricultural waste into a soil enhancer that can hold carbon and discourage deforestation.⁴ Funding for continued research into this mitigation technology will be vital.
26. Finally, FOA would like to highlight that the target planting goal of 1.3 to 2.8 million hectares will potentially require significant government interventions rarely seen in an economy outside wartime. The dimension of the change to the economy is significant and should be acknowledged.
27. Forest owners and managers, via the FOA and other mechanisms such as the Ministerial Advisory Group, are keeping a close watch on developments in this area and welcome the opportunity to contribute.

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² <http://www.rotorualakescouncil.nz/our-council/news/Pages/default.aspx?newsItem=5288>

³ Source PCE Oct 2016 entitled Climate change and agriculture: Understanding the biological greenhouse gases.

⁴ www.massey.ac.nz/massey/learning/colleges/college-of-sciences/research/agriculture-environment-research/environmental-sciences/biochar-research-centre/biochar-research-centre_home.cfm

A handwritten signature in black ink, appearing to read 'D Rhodes', with a stylized, cursive script.

David Rhodes, Chief Executive, New Zealand Forest Owners Association.