

In Confidence

Office of the Minister for the Environment
Office of the Minister of Agriculture
Office of the Minister of Forestry
Office of the Associate Minister for the Environment
Cabinet Environment Committee

Emissions Reduction Plan: Resource management proposals to manage exotic afforestation – release of discussion document

Proposal

- 1 We seek approval to consult on changes to the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017 (NES-PF) to:
 - 1.1 Manage the biophysical effects of permanent exotic (carbon) forestry;
 - 1.2 Enable a more planned approach to the location of exotic afforestation;
 - 1.3 Improve wildfire management in all exotic forests;
 - 1.4 Address key findings of the Year One Review of the NES-PF; and
 - 1.5 Support any changes to the permanent forest category of the New Zealand Emissions Trading Scheme (NZ ETS) required to transition from exotic to indigenous forest carbon sinks over time.
- 2 These proposals seek to deliver the Government's policy of ensuring the right type and scale of forests, in the right place. They achieve this by seeking to ensure the long-term sustainability of new and existing exotic forests as well as exploring options to support councils to exercise discretion about the location of afforestation.

Issue identification

- 3 The rate of afforestation has increased and is expected to remain high in the coming years. This increase is due to the superior financial returns generated by forestry over some traditional pastoral farming activity driven by a demand for wood products and rapid increase in the price of carbon.
- 4 This change in land use, if not well managed, could have a detrimental impact on the environment and rural communities and thus significantly erode the forestry sector's social licence to operate.

- 5 The following key issues have been identified within the current resource management regulatory framework:
- 5.1 The absence of national standards for managing the environmental effects of permanent exotic and transitional (from predominantly exotic to predominantly indigenous) forests. This is a problem because it has resulted in:
 - 5.1.1 some districts having no rules to manage environmental effects of permanent exotic forests;
 - 5.1.2 where there are rules to manage the effects of permanent exotic forests, this reduces certainty and results in regional inconsistency of outcomes across the country; and
 - 5.1.3 a lack of clarity about how environmental effects are to be managed when the purpose of a forest changes over time, i.e., from a plantation to a permanent forest.
 - 5.2 Councils have historically adopted a permissive approach to controlling the location and scale of exotic forests even though they have the ability to make local rules to control the effects that are not covered by the NES-PF.¹
- 6 To further improve the sustainability of the NES-PF, several operational and technical issues have been identified, both through the Year One Review of the NES-PF as well as our ongoing engagement with industry and local councils.

Relation to government priorities

- 7 This paper supports:
- 7.3 Labour's 2020 Election Manifesto commitment to empower local councils to decide which land can be used for plantation and carbon forests through the resource consent process; and
 - 7.4 Emission Reduction Plan² (ERP) actions to:
 - 7.4.1 ensure regulatory settings deliver the right type and scale of forests, in the right place (Action 14.1.1);
 - 7.4.2 increase awareness of forest fire risk and improve planning for fire management (Action 14.5).

¹ A plan cannot be more stringent than the NES-PF except in specific circumstances that are set out in the regulations.

² <https://environment.govt.nz/publications/aotearoa-new-zealands-first-emissions-reduction-plan/forestry/>

Executive Summary

- 8 Forests provide a spectrum of benefits at a local, regional, national and international level. The Government has several programmes underway to ensure its forestry policy settings deliver on broader outcomes for climate change mitigation and adaptation, biodiversity, and rural communities. These include the ERP and Te Mana o Te Taiao (Aotearoa New Zealand Biodiversity Strategy 2020 (ANZBS)), Forestry and Wood Processing Industry Transformation Plan (ITP), National Adaptation Plan, and proposed national direction on indigenous biodiversity (NPS-IB). **Appendix One** illustrates how various initiatives are expected to contribute to better outcomes.
- 9 The objectives of the current NES-PF are to maintain or improve the environmental outcomes associated with plantation forestry activities nationally and to increase the efficiency and certainty in the management of plantation forestry activities under the RMA.
- 10 The options and proposals in the discussion document (**Appendix Two**) focus on settings within the resource management system, through the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017 (NES-PF). Indigenous forests for carbon sequestration are outside the scope of these proposals as options are still being developed to scale up native afforestation.
- 11 The NES-PF applies to forests of at least one hectare that have been planted for commercial purposes and will be harvested or replanted – it does not currently apply to permanent forests planted primarily to sequester carbon. The proposals to amend the NES-PF seek to:
 - 11.1 manage the environmental effects of permanent exotic forests, for which there are currently no national standards;
 - 11.2 support councils to control the location of both plantation and permanent exotic afforestation;
 - 11.3 improve wildfire management in all exotic forests;
 - 11.4 implement key technical changes to the NES-PF identified in the Year One Review of the regulations, completed in 2020; and
 - 11.5 support any changes to the permanent forest category of the NZ ETS required to transition from exotic to indigenous forest carbon sinks over time.
- 12 The views of Māori, Iwi, industry stakeholders, local government, and the general public will be sought on the proposals, beginning in September 2022.
- 13 We will seek Cabinet decisions on final policy settings for most proposals in February 2023, with a view to the NES-PF being amended later in 2023 to give effect to those decisions. Further work will be required if the Government wishes to develop national environmental standards to require a resource consent from councils to control the location of exotic afforestation. If a

consenting option is preferred, amendments to the NES-PF may not be in force until the end of 2023, depending on the complexity of any consenting system.

Background

- 14 A 2020 review of the NES-PF found that the regulations were effective, but that technical amendments could be made to improve environmental outcomes. This included wilding tree risk and slash management.
- 15 Labour's 2020 Election Manifesto included a commitment to empower local councils to decide which land can be used for plantation and carbon forests through the resource consent process.
- 16 In February 2022, Cabinet agreed to:
 - 16.1 amend the NES-PF to include permanent exotic afforestation; and
 - 16.2 consult on options to make national direction under the resource management system to allow for local discretion on the location of new afforestation based on both socio-economic and environmental grounds [CAB-22-MIN-0041].

Related matters

- 17 The proposals in this paper are one part of a broader package of work to achieve better land use and environmental outcomes, and our emissions reductions targets. This includes changes to the Overseas Investment Act, the review of the NZ ETS, and work to redesign the permanent forest category of the NZ ETS (as illustrated in **Appendix One**).
- 18 Increasing New Zealand Unit price is leading to growing levels of permanent exotic afforestation. The Government consulted in March and April this year on options for changes to the New Zealand Emissions Trading Scheme (NZ ETS) permanent post-1989 forest category, to manage the incentives for permanent exotic afforestation.
- 19 Following submissions and feedback, Ministers will seek Cabinet agreement to progress further work with Māori and technical forestry experts to redesign the NZ ETS permanent forest category. In the meantime, the category will open to all post-1989 forests on 1 January 2023, as currently legislated.
- 20 Te Mana o Te Taiao (ANZBS) seeks to place biodiversity protection at the heart of economic activity and commits Aotearoa New Zealand to maintaining and enhancing indigenous ecosystems, species and habitats, including their cultural, social and environmental benefits. The proposals will support the ANZBS objectives of Tūāpapa (Getting the system right) and Tiaki me te whakahaumanu (Protecting and restoring).
- 21 Consultation is currently underway on the draft Forestry and Wood Processing ITP. The ITP aims to increase domestic processing of logs which would have the additional benefit of increasing availability of wood residues as

feedstock for biofuel products. The ITP will look for ways to increase use of existing woody biomass, including forestry slash. Lowering the extraction and transport costs of this material is key to increasing its use. The NES-PF is enabling of a diverse range of forestry regimes, including those which might be needed to support the ITP, for example shorter rotation forests.

- 22 On 15 August 2022, the Overseas Investment (Forestry) Amendment Bill³ received Royal Assent. The Act's main objective is to ensure that overseas investments that result in the conversion of farmland (or other land) to forestry benefit New Zealand and that any risks can be better managed.

Analysis

Permanent exotic afforestation is increasing

- 23 Afforestation is critical if Aotearoa New Zealand is to meet the first three emissions budgets set under the Climate Change Response Act 2002. The first ERP projections for forestry across all emissions budget periods are forecast to deliver around 144.5 Mt CO₂-e in carbon removals and storage.⁴
- 24 The incentive to establish permanent exotic forests is increasing. This is due to rising New Zealand Unit (NZU) prices and upcoming changes to the NZ ETS (such as the introduction of the permanent post-1989 forest category on 1 January 2023). Unregulated, poorly managed or unmanaged permanent exotic forests pose an ecological, social and environmental risk, therefore, need to be managed in a way that mitigates these risks while maintaining social licence.
- 25 The Ministry for Primary Industries (MPI) estimates that 101,400 hectares of exotic afforestation has occurred over the last three years and that 18 percent is likely to be permanent exotic forests.⁵ MPI estimates that 350,000 hectares of new permanent exotic forests could be established over the decade up to 2030, based on current ETS settings and returns for permanent exotic forests.⁶ The Climate Change Commission demonstrated pathway includes over 600,000 hectares of exotic afforestation out to 2050.
- 26 These trends indicate that some land previously used for other purposes will be planted in exotic forests. The effects of afforestation and forests vary according to species of trees, location, size, density, forest management regimes, and the function of the forest, as well as existing patterns of land use and the characteristics of individual communities.

³ https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_124038/overseas-investment-forestry-amendment-bill

⁴ Emissions budgets are based on June 2021 projections and reflect policies and measures at that time.

⁵ Prepared for MPI by School of Forestry, University of Canterbury
<https://www.mpi.govt.nz/dmsdocument/52405-Afforestation-and-Deforestation-Intentions-Survey-2021>

⁶ Based on returns at the 2022 and 2026 auction trigger prices. The 2022 price is \$70.00, the 2026 price is \$110.15 per NZU.

- 27 Concerns have been raised by some community groups, primary sector representatives and workers, local councils and non-governmental organisations (NGOs) about the adverse effects of unmanaged or poorly managed permanent exotic forests and, to a lesser extent, those of plantation forests on the local and/or regional economy, communities and the environment.
- 28 These effects need to be balanced against the Government's long-term vision for forestry.⁷ This includes the role of exotic afforestation to meet New Zealand's climate change commitments, and the purpose of the resource management system.

There are limited controls for exotic afforestation through the existing resource management system

- 29 We consider that the current regulatory system is unable to adequately control the anticipated growth in exotic afforestation. Therefore, we consider it essential to manage environmental effects of plantation and permanent exotic forests at planting **and** over their lifetime. We also believe that councils need support to control the location of exotic afforestation so as to ensure optimal outcomes for rural and provincial communities.
- 30 The NES-PF provides national direction, under the RMA, to set most of the rules to manage environmental effects associated with plantation forestry. However, it does not currently apply to permanent exotic forests.
- 31 Councils can make their own plan content and rules related to forests on matters that are outside the scope of the NES-PF. Councils have reported that limited capacity and capability constrains their ability to do so. They would find it particularly difficult to make rules to control the location of afforestation on social, cultural and economic grounds.
- 32 Officials are aware of three local authorities (Waimakariri, Waitaki and Marlborough District Councils) that are proposing their own resource management rules for carbon forestry (permanent exotic forests). They have chosen to consider the management of biophysical environmental effects and related environmental matters such as impact on landscapes.
- 33 We are not aware of any local authorities developing specific rules to control the location of permanent exotic forests due to their effect on social, cultural or economic values.
- 34 As more exotic forests are established, the lack of national direction for permanent exotic forests could result in an inconsistency in the rules adopted by each council to manage the effects of these forests.

⁷ 'By 2050, Aotearoa New Zealand has a sustainable and diverse forest estate that provides a renewable resource to support our transition to a low-emissions economy. Forestry will contribute to global efforts to address climate change and emissions reductions beyond 2050, while building sustainable communities, resilient landscapes, and a legacy for future generations to thrive.'
(ERP, chapter 14)

- 35 This lack of national direction could also result in different approaches to the management of permanent exotic forests even though they may be the same, or similar, to those of plantation forests.

Proposals included in the discussion document

- 36 The proposals outlined in the attached discussion document respond to the problems outlined above, in line with the decisions agreed by Cabinet in February 2022, the ERP actions, and the findings of the Year One Review. The proposals are set out in four parts, A-D. The preferred options are summarised below.

Part A: Managing the biophysical effects of permanent exotic (carbon) forestry

- 37 The preferred option will expand the NES-PF regulations, which currently just cover plantation forestry, to also apply to permanent exotic forests. This will mean that all exotic afforestation (plantation and permanent) would have to meet the standards contained within the NES-PF, such as those for wilding conifer management and control.
- 38 We also seek feedback on whether Forest Management Plans for exotic carbon forests would be a useful tool in the NES-PF. Such plans could be used to demonstrate how the forest would meet the requirements of the NES-PF, and also to prompt planning for potential future effects e.g., how a forest would be managed as it is grown to the end of its natural lifespan or transitioned to indigenous forest.
- 39 Feedback from consultation will support development of any specific proposals for Forest Management Plans. This would include considering how such plans could support any changes to the permanent forest category of the NZ ETS required to transition from exotic to indigenous forest carbon sinks over time.

Part B: Controlling the location of exotic afforestation to manage social, cultural, and economic effects

- 40 We are consulting on two options to support councils to make decisions about the location of exotic afforestation. We do not have a preferred approach; we are seeking feedback on the following options:
- 40.1 Option 1: Ensure the NES-PF gives councils the ability to make plan rules and supporting policies and objectives for afforestation. This would clarify councils' ability to make rules for matters out of scope of the NES-PF. The NES-PF would also be amended to enable councils to make more stringent (or lenient) rules relating to afforestation. For example, a council could introduce a rule to require consents for forests over a particular size.
- 40.2 A council would have to justify increased stringency or leniency under the RMA. The Government could also provide implementation support

to councils seeking to develop rules and associated policies and objectives.

- 40.3 Option 2: Provide national environmental standards requiring resource consents from councils to control the location of exotic afforestation through the NES-PF. Variables that could be managed through consenting include land type, forest type and scale of afforestation. The consenting framework could be applicable nationally or limited in some way, e.g., by region, or time limited.

- 41 Depending on the outcome of the consultation, it would be possible to progress option 1 with other amendments to the NES-PF in 2023. Delivery of option 2 would be more complex and potentially take longer to deliver.

Part C: Improving wildfire management in all exotic forests


- 42 This proposal seeks to reduce wildfire risk especially as this risk is increasing as the climate changes. The preferred option, developed in collaboration with Fire and Emergency New Zealand, would require all forests regulated by the NES-PF to have a wildfire risk management plan.

Part D: Addressing key findings of the Year One Review of the NES-PF

- 43 Several changes to the NES-PF are proposed to address key findings of the Year One Review and operational changes identified since the regulations came into force. The main proposals include:
- 43.1 Wilding conifer spread risk – updating the assessment tool, associated documentation and when an assessment is required;
- 43.2 Slash management (woody debris) – changes to improve clarity for foresters and council compliance staff;
- 43.3 Alignment with national direction on freshwater – adjustments relating to fish passage, definitions, and use of machinery and vehicles; and
- 43.4 Operational and technical changes – refinement to controls to ensure that the regulations continue to operate effectively and efficiently.

Risks and mitigation

- 44 The proposals have the following associated risks and trade-offs, relating in particular to the options for supporting councils to control the location of afforestation (Part B).
- 44.1 Implications for Māori: Māori have a broad set of interests in forestry, across commercial, employment, community wellbeing and environmental dimensions. In 2018, 30 per cent of New Zealand's plantation forestry was estimated to be on Māori land. This is expected to grow to 40 per cent as Treaty of Waitangi (Te Tiriti o Waitangi) settlements are completed.

- 44.2 A large portion of Māori-owned land is suited to forestry, particularly permanent exotic forestry. This is because it is disproportionately in higher land use classes (i.e., land considered marginal, steep, or erosion prone) and fragmented. Officials also consider proposals could impact Māori rights and interests, in particular, rangatiratanga.
- 44.3 Any potential limit to opportunities for Māori to benefit from their land (for example due to new consenting requirements for afforestation) will need to be assessed in detail, following engagement with Māori. Consideration will need to be given to how to address impacts on Māori rights and interests.
- 44.4 Further to the consultation on the NZ ETS permanent forest category earlier in 2022, the Chair of Te Taumata advised Ministers on 8 August that Māori forestry leaders are opposed to enabling local government involvement in consenting of permanent exotic or transitional forests.
- 44.5 In addition, earlier feedback suggested Māori forestry leaders do not wish the NES-PF to be extended to manage the environmental effects of permanent exotic forestry. Given the linkages between the next steps for the NZ ETS and the NES-PF proposals, engagement planning will need to be closely linked and coordinated.
- 44.6 s 9(2)(g)(i) 
- 44.7 Engagement with Māori will include online hui with landowners, forest owners and foresters, post-settlement governance entities, rūnanga, and Māori communities affected by afforestation. Officials will also ensure compliance with the process and procedures for engaging with iwi authorities under section 46A of the RMA. Meeting these statutory requirements will reduce some risks.
- 44.8 Implications for the forestry industry: The potential requirement for a resource consent to plant forests and new rules controlling activity have implications for commercial forestry, wood production, meeting emissions budgets and targets, and development of the bioeconomy. These implications will need to be assessed in detail following engagement with the industry.
- 44.9 These proposals only indirectly affect the scale of forests. Emissions pricing is the key driver for exotic afforestation; this will be considered in an upcoming paper reviewing the role of the NZ ETS as part of our response to climate change.
- 44.10 Implications for councils: Expanding the scope of the NES-PF to include permanent exotic forests could increase councils' workload.

The potential requirement for a resource consent to plant forests will change the way the location of forests is controlled and require councils to consider broader social and economic factors when deciding resource consents.

44.11 The Year One Review of the NES-PF also identified capacity and capability issues within councils.

44.12 Capacity issues for our partners and stakeholders: Treaty partners, industry partners, environmental NGOs and councils are all responding to multiple consultations on forestry matters, resource management reform and other high profile government programmes. There is a risk that the level or quality of feedback may not provide sufficient information to refine the proposals. The communication and engagement plan will seek to reduce the burden on stakeholders and leverage opportunities for joint engagement.

Implementation

45 Ministers propose to report back to Cabinet in February 2023 on the consultation and to seek final policy decisions to inform drafting of the amendments. Timeframes will depend on policy decisions taken post consultation.

Financial Implications

46 There are no financial implications resulting from the proposals to consult on amendments to the NES-PF.

Legislative Implications

47 The proposals seek to amend the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017.

48 The Minister for the Environment must undertake several statutory, procedural steps prior to recommending the making or amending of national direction. These include choosing a public process for developing the instrument,⁸ and preparing and publishing an evaluation report that examines the extent to which the objectives of its proposals are the most appropriate way of achieving the purposes of the RMA.⁹ The Minister has chosen an officials-led process of public consultation.

⁸ Section 46A of the RMA refers.

⁹ Section 44(1)(b) of the RMA refers; section 32 sets out the specific requirements and processes for this evaluation.

Impact Analysis

Regulatory Impact Statement

- 49 An interim Regulatory Impact Statement (RIS) for the options and proposals within the discussion document has been prepared and provided as **Appendix Three**. The RIS will be finalised after consultation.
- 50 The combined Ministry of Primary Industries and Ministry for the Environment Regulatory Impact Analysis Panel has reviewed the RIS “Managing Permanent Exotic Afforestation” produced by the Ministry for Primary Industries and the Ministry for the Environment. The review team considers that the RIS meets the quality assurance criteria.

Climate Implications of Policy Assessment

- 51 We are currently unable to quantify the anticipated impacts on emissions of the proposals on emissions, as there is uncertainty in how the industry will respond to the changes.
- 52 These proposals are likely to affect the:
- 52.1 amount of afforestation: some currently planned afforestation projects may not proceed due to either the perceived compliance burden and increase in uncertainty, or to council consenting decisions;
 - 52.2 rate and type of afforestation: the framework could delay trees being planted and may influence the types of forests established – which will impact the rate of sequestration;
 - 52.3 quality of forests: the framework should result in an improvement in the management of forests (e.g., wilding conifer and fire management) and therefore potentially improve forestry outcomes that could increase sequestration rates, as well as other social, cultural, economic, natural and physical outcomes; and
 - 52.4 market and NZU supply: if forests are entered into the NZ ETS, changes to the amount, rate, and type of afforestation will affect the amount of NZUs available for purchase by polluters. This will affect the market signal to polluters. We will undertake further work as part of the Climate Implications of Policy Assessment (CIPA) analysis.
- 53 The discussion document includes questions that will enable us to explore the climate change impacts of the proposals. A CIPA disclosure will be provided when the final proposals are presented to Cabinet.

International obligations

- 54 s9(2)(h)

s9(2)(h)

Population Implications

- 55 The proposals (particularly those in Part B) would affect land use decisions for rural communities and landowners. Changes in land use will, depending on a range of factors, have both positive and adverse effects on rural communities.
- 56 The range of effects is broad and may include, for example, changes (beneficial and adverse) in primary sector production, employment opportunities, supporting services and infrastructure, rural population, individual and community identity, mental health and wellbeing, Māori cultural wellbeing, and economic wellbeing. The effects are likely to be viewed differently from different perspectives.
- 57 The proposals (particularly those in Part B) could also reduce the opportunities and/or establish additional process barriers for afforestation of marginal and remote land where permanent exotic and plantation forests are currently the most (and in some cases, only) financially viable option. As discussed earlier, Māori would be disproportionately impacted by this effect.

Human Rights

- 58 This paper has no human rights implications.

Consultation

- 59 The following agencies have been consulted and their feedback has been considered: Ministry of Business, Innovation and Employment; Department of Conservation; Ministry of Foreign Affairs and Trade; Office for Māori Crown Relations – Te Arawhiti; Office of the Privacy Commissioner; Te Puni Kōkiri; Treasury; Te Kawa Mataaho – Public Service Commission; Land Information New Zealand; Department of Internal Affairs; Ministry of Justice; Office for Rural Communities (MPI), and the Parliamentary Council Office.
- 60 The Department of the Prime Minister and Cabinet has been informed.
- 61 The Green Party was consulted under the terms of the co-operation agreement. They remain concerned about the lack of a regulatory regime that manages permanent forests between the opening of the permanent category of the ETS on 1 Jan 2023 and any changes to the NES-PF coming into force. They also continue to seek that this work be integrated with work on the NZ ETS, and that further biodiversity protections are included in the NES-PF.

Communications

- 62 Subject to Cabinet agreement, we will announce and run a six-week public consultation. The consultation announcement will align with any communications regarding Cabinet decisions on redesigning the NZ ETS permanent forest category, given the close relationship of the two

workstreams. The discussion document will be amended as required to reflect those Cabinet decisions.

- 63 Officials are preparing further supporting documents that provide technical detail of the proposed regulatory amendments, for publication, with Ministers' approval.

Proactive Release

- 64 Once public announcements have been made, we intend to proactively release this paper, alongside the discussion document, on the Ministry for Primary Industries' website, subject to redactions as appropriate equivalent to those under the Official Information Act 1982.

Recommendations

The Minister for the Environment, Minister of Agriculture, Minister of Forestry and Associate Minister for the Environment recommend that the Committee:

Background

- 1 **Note** that the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017 (NES-PF) provide national direction, under the Resource Management Act 1991 (RMA), setting most of the rules to manage environmental effects associated with plantation forestry, and do not apply to permanent exotic forests;
- 2 **Note** that a review of the NES-PF completed in 2020 found that technical amendments to the regulations could be made to improve environmental outcomes;
- 3 **Note** that in February 2022 Cabinet agreed to:
 - 3.1 amend NES-PF to include permanent exotic afforestation; and
 - 3.2 consult on options to make national direction under the resource management system to allow for local discretion on the location of new afforestation based on both socio-economic and environmental grounds, and [CAB-22-MIN-0041].
- 4 **Note** that the Emissions Reduction Plan included a commitment to consult during 2022 on options to increase awareness of forest fire risk and improve planning for fire management (Action 14.5);

Problem

- 5 **Note** that increased exotic afforestation – particularly permanent forests – in recent years has prompted concerns about its long-term effects and risks to local and/or regional economies, communities, and the environment;

- 6 **Note** that the lack of national standards for managing the environmental effects of permanent exotic forests is resulting in varied approaches being taken to manage the effects of these forests;

Consultation

- 7 **Note** that the Minister for the Environment has decided, as required under section 46A(3)(b) of the Resource Management Act 1991, to establish and follow a process for amending the NES-PF that includes consultation with public and iwi authorities. This requires the Minister to provide notice, adequate time and opportunity to the public and iwi authorities to make a submission;
- 8 **Note** that the discussion document (**Appendix Two**) outlines proposals, in four parts, to amend the NES-PF to:
- 8.1 Manage the biophysical effects of permanent exotic (carbon) forestry (Part A);
 - 8.2 Control the location of plantation and exotic carbon afforestation to manage social, cultural, and economic effects (Part B);
 - 8.3 Improve wildfire risk management in all exotic forests (Part C); and
 - 8.4 Address key findings of the Year One Review of the NES-PF (Part D).
- 9 **Authorise** the Minister for the Environment, Minister of Agriculture, Minister of Forestry, and Associate Minister for the Environment to make minor and editorial amendments to the draft discussion document, including to align the content with any decisions Cabinet has made on the next steps for the permanent forest category of the NZ ETS;
- 10 **Agree** to the release of the discussion document for a minimum of six weeks public consultation subject to any minor, editorial or technical changes that may be authorised by the joint Ministers before its release;
- 11 **Authorise** the Minister for the Environment, Minister of Agriculture, Minister of Forestry, and Associate Minister for the Environment to approve publication of supporting documents that provide technical detail of the proposed regulatory amendments;

Announcement

- 12 **Agree** that the Minister for the Environment, Minister of Agriculture, Minister of Forestry, and Associate Minister for the Environment make an announcement after Cabinet decisions;
- 13 **Agree** that the announcement will align with the communication of any Cabinet decisions on the permanent forest category in the NZ ETS, given the close relationship of these two workstreams;

Risks

- 14 **Note** that Māori and Iwi could potentially be disproportionately affected by the proposals due to their large ownership of forestry land, or land that is well suited to forestry, and their Treaty/Tiriti rights be impacted;
- 15 **Note** that the proposed engagement will enable us to better understand the effects and impacts for Māori and Iwi and to advise on options;
- 16 **Note** that the potential requirement for a resource consent to plant forests has implications for councils, commercial forestry, wood production, meeting emissions budgets and targets, and development of the bioeconomy;

Report back

- 17 **Invite** the Minister for the Environment, Minister of Agriculture, Minister of Forestry, and Associate Minister for the Environment to report back in February 2023 with finalised policy proposals.

Authorised for lodgement

Hon James Shaw

Associate Minister for the Environment

Hon David Parker

Minister for the Environment

Hon Damien O'Connor

Minister of Agriculture

Hon Stuart Nash

Minister of Forestry

Appendix One: Related work to help mitigate the risk posed and help support the Government's forestry and climate change goals

Appendix Two: Discussion document

Appendix Three: Interim Regulatory Impact Statement

Appendix One: Current and upcoming initiatives supporting the Government's forestry and climate change goals (related to this paper)

Government's long-term forestry vision: By 2050, Aotearoa New Zealand has a sustainable and diverse forest estate that provides a renewable resource to support our transition to a low-emissions economy. Forestry will contribute to global efforts to address climate change and emissions reductions beyond 2050, while building sustainable communities, resilient landscapes, and a legacy for future generations to thrive. (*Emissions Reduction Plan, chapter 14*)

Redesigning NZ ETS permanent forest category

To manage the incentives for exotic afforestation within the NZ ETS and:

- better provide for effective forest management (e.g. through forest management requirements)
- deliver forests which provide positive outcomes
- Continues to contribute removals towards our targets.

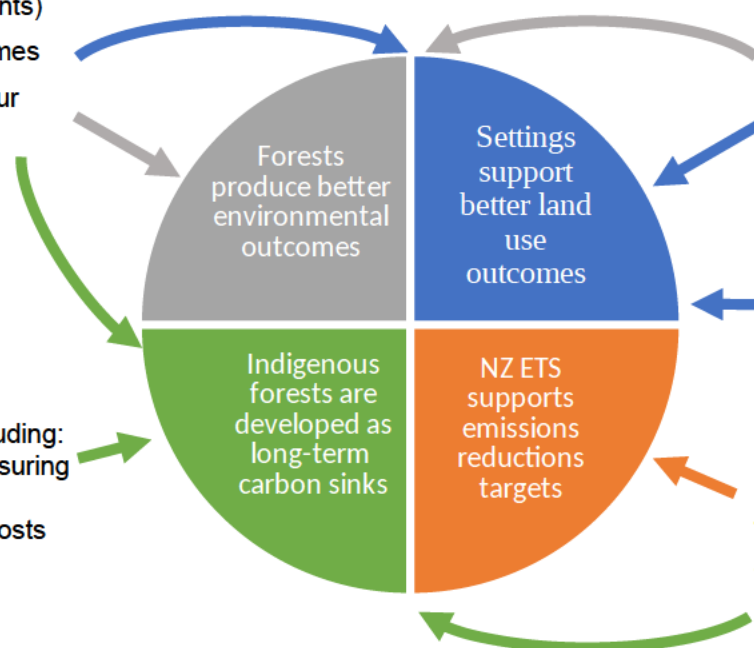
Incentivising indigenous afforestation

A range of activities are being undertaken, including:

- more accurate accounting methods for measuring carbon stocks in indigenous forests.
 - investment and research into lowering the costs and barriers to indigenous afforestation.
- (ERP Actions 5.2.3 and 14.2.3)

Other forestry initiatives contributing to Emissions Reduction Plan (ERP) actions:

- Consultation on the draft 'Forestry and Wood Processing Industry Transformation Plan' – which seeks to increase domestic wood processing, diversify our production forests, and provide inputs for biofuels production (ERP Action 14.4.1)
- Forestry initiatives supporting the broader transition to a bioeconomy (e.g. Sustainable Biofuel Obligation Bill) (ERP Action 9.6).



Managing exotic afforestation under the RMA (current paper)

Proposed changes to the National Environmental Standards for Plantation Forestry to:

- manage the biophysical effects of permanent exotic forestry
- enable a more planned approach to the location of exotic afforestation
- improve wildfire management in all forests
- address key findings of the Year One Review of the NES-PF.

Overseas Investment (Forestry) Amendment Act 2022

Requires overseas investors wishing to convert land into production forestry to demonstrate benefits to New Zealand.

Reviewing the NZ ETS

The Government is considering issues around NZ ETS supply through a proposed NZ ETS review (ERP Action 5.2.1).