

The Environmental Defence Society is a charitable, not-for-profit environmental NGO established in 1971.

We are Aotearoa New Zealand's leading environmental law and policy organisation.

000 We operate at the law and policy coalface to drive improved environmental outcomes

000 We are on the moderate end of the green spectrum

000 We work within the system to achieve positive change

Thought-leader in environmental policy

000 EDS brings together innovative ideas with on-the ground experience to develop practical options for law and policy reform and pathways for implementation.

Environmental legal advocate

000 As a last resort EDS litigates to protect the natural environment or to set important legal precedents.

Events co-ordinator

Every year EDS convenes two of the country's biggest conferences in the environment calendar.

000 The **Climate Change and Business Conference** is in its 15th year and engages business in the threats and opportunities arising from climate change. The conference is jointly hosted with the Sustainable Business Council and Climate Leaders Coalition.

000 EDS's **Environmental Summit** is in its 20th year and generates solutions to key environmental challenges facing the country.

Our position on forestry

Plantation forestry is an important part of our economy and will remain so. It also plays an important role in offsetting carbon emissions in the near term under the Emissions Trading Scheme (ETS), and in producing energy and materials for a low carbon economy. But, current climate change and forestry settings are:

- 000 Creating a cashflow windfall for ETS-registered foresters
- 000 Resulting in conversion of productive farm land to exotic forestry
- 000 Predicted to tank the carbon price by the mid 2030s, which will undermine the efficacy of the ETS (too many removals) and reduce forestry incentives (carbon price too low)
- 000 Leaving native afforestation high and dry
- 000 Permitting clear fell harvesting on erosion-prone land
- 000 Allowing forestry companies to externalise their effects to the detriment of downstream communities and the environment

OUR KEY ASKS FOR FORESTRY LAW AND POLICY CHANGE :

- ONE** Ban foreign farm to forest conversions
- TWO** Decouple incentives for emissions reductions and removals
- THREE** Limit the Permanent Forest Category to indigenous forests
- FOUR** Scale up a native afforestation sector using biodiversity incentives
- FIVE** Hold foresters to account for their environmental effects
- SIX** Impose a wilding pines control levy on exotic foresters

ONE

Ban foreign farm to forest conversions

Exotic carbon forestry is a lucrative business. Once limited in income to log sales, foresters can now register their forests in the ETS and get credits (NZUs) for the carbon sequestered by the trees. ETS-registered forestry under the carbon averaging regime generates approx. \$2000/ha annually for the first rotation of trees. Sheep and beef farms, which generate on average \$300 – \$700/ha annually, can't compete with these returns. This carbon 'bonus' is driving an increase in conversions of farm to exotic monocultural forests and driving up land values. Land use change is consequentially occurring at pace, affecting rural communities, increasing wildfire and other environmental risks.

We support the National party's election promise to ban foreign farm to forest conversions for exotic carbon farming.

TWO

Decouple incentives for emissions reductions and removals

EDS strongly supports the Government's commitment to delivering net zero by 2050, our emissions budgets and Paris Agreement Nationally Determined Contribution. Carbon forestry removals are an important part of our transition to getting there.

Removals are important for meeting our emissions reduction budgets out to 2035, and for providing a carbon sink for hard-to-abate emissions in the longer term. However, they have currently got out of control. They need to be reined back in.

New exotic planting is currently proceeding well above expectations, reaching double that of the Climate Change Commission's recommended rates in 2022. While planting slowed due to uncertainty in 2023, it could easily rebound, as current ETS prices are at a level that makes land conversion economic. Even at the Commission's recommended levels, there is projected to be an oversupply of NZUs in the 2030s which might depress the carbon price.

This in turn would reduce incentives for gross emissions cuts, because NZUs would be readily available and cheap. A lowering of carbon price may in turn drive a drastic decline in planting rates, and impact the return that foresters might receive from today's investments. At that point, the ETS will lose its ability to drive further decarbonisation and afforestation.

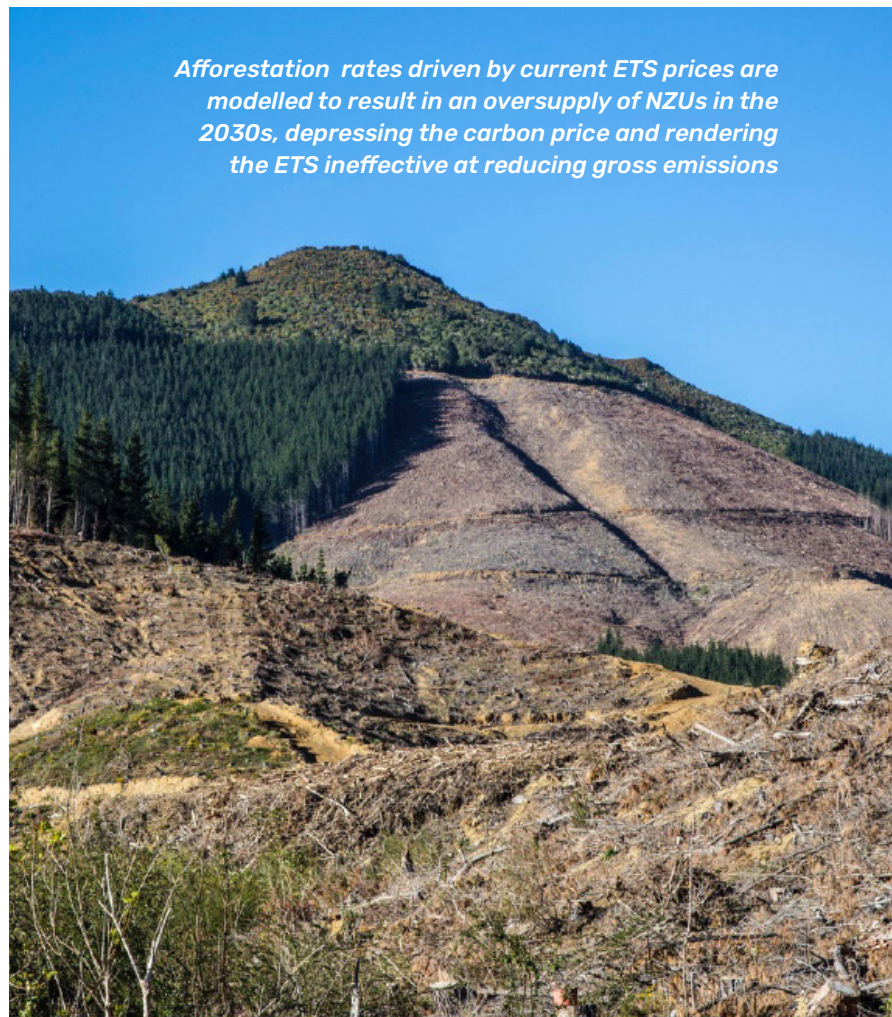
It's a lose - lose situation.

Over-reliance on removals has several drawbacks, including undermining long-term climate objectives, increasing environmental risks and misalignment with international best practice.

EDS supports decoupling incentives for emissions reductions and removals.

Focusing on reducing gross emissions now has the benefit of reducing cost in the long term, increasing the speed at which we transition to a low-emissions economy, and it gives us the best chance at sustaining net zero beyond 2050.

We urge the Government to reconsider its position not to amend the ETS – to provide more stable incentives both for emissions reductions and for forestry investment.



Afforestation rates driven by current ETS prices are modelled to result in an oversupply of NZUs in the 2030s, depressing the carbon price and rendering the ETS ineffective at reducing gross emissions

THREE

Limit the Permanent Forest Category to indigenous forests

The concept of a permanent exotic forest is a fallacy. In Aotearoa New Zealand, few exotic species are long-lived. Pine has an average lifespan of 80-90 yrs. But to ensure enduring carbon sinks beyond 2050 we need to be planting long-lived tree species that can grow and sequester carbon for hundreds of years.

Our indigenous forests demonstrate this capability.

Unlike permanent exotic forests which lock up land and are more susceptible to pests, disease, fire and collapse, permanent indigenous forests have advantageous co-benefits of enhancing indigenous biodiversity, soil health, stability and conservation, air and water quality, and regulating local climate conditions. They enhance the natural landscape, instead of creating long-term liabilities.

Transitional forests have been heralded as a way in which exotic carbon forests can be converted to indigenous forests over time. This would allow foresters to reap the carbon rewards early on and then to provide long-term indigenous sinks later.

Transitional forests are far from a sure bet. They are a novel and emerging forest model and there is significant uncertainty about whether they will actually work at the scale that we need to meet our net zero 2050 target.

We urge the Government to reconsider imposing an immediate ban on further registration of permanent exotic and transition forests in the NZ ETS permanent category.

FOUR

Scale up a native afforestation sector using biodiversity incentives

Climate change and biodiversity loss are inextricably linked and need to be addressed simultaneously and synergistically. Using carbon credits generated from indigenous afforestation to achieve biodiversity gains will address both crises in tandem.

We recognise the high costs of establishing and maintaining indigenous forests, especially on marginal land, and the currently limited commercial return on investment. Scaling up native afforestation will therefore require up-front financial support. A biodiversity payment or incentive scheme could be that mechanism.

We encourage you to support development of a biodiversity incentives scheme to help establish a native afforestation sector.

We see significant potential in carbon credits, generated from indigenous afforestation, financing biodiversity gains

FIVE

Hold foresters to account for their environmental effects

EDS has a long-standing interest in the regulation of forestry land use practices.

Our 2019 review of the then National Environmental Standards for Plantation Forestry 2017 identified a series of shortcomings and found that the permissive regime was not suitable for such a high-risk industry. We recommended greater regulatory oversight to ensure that the environmental effects of plantation forestry are internalised.

EDS supports the newly minted National Environmental Standards for Commercial Forestry 2023 (NES-CF), particularly insofar as they require better management of slash, including its removal from steep land. We support the Government's agreement to retain these measures and impose a duty upon harvesters to contain and remove post-harvest slash.

However, harvesting and earthworks of plantation and continuous-cover (aka carbon) forest on steep erosion-prone land remains largely permissive.

Clear fell harvesting

High rainfall and clear felled steep land are a combustible pair. Up to 8 years post clear fell harvest, land is highly susceptible to landslides and erosion during storm events. Significant volumes of slash, debris and sediment are mobilised in this 'window of vulnerability' causing untold damage to downstream communities and the environment. Sediment in particular is a pervasive killer of our freshwater and marine ecosystems. The problem is only going to get worse with climate change, as high rainfall events become more frequent and intense. Tairāwhiti and Wairoa bore the brunt of destruction this year, but this is a national issue.

Erosion Susceptibility Classification (ESC)

The NES-CF ascribes activity status to forestry activities based on the land's erosion susceptibility classification. The ESC is the tool that makes that determination. Land is classified by the ESC as either red, orange, yellow or green based on its erosion risk. The ESC is fundamentally flawed. It does not accurately assess erosion risk and land is commonly mis-coloured. Consequently, the NES-CF is not appropriately regulating forestry activities on erosion prone land. Given the scale of afforestation expected in the coming years, the need for locationally-sensitive risk assessment tools is urgent and crucial to prevent significant environmental effects.

The NES-CF needs further amendment to:

- 000 Prohibit exotic afforestation on high risk erosion-prone land*
- 000 Require greater regulatory oversight of harvesting and earthworks on erosion prone land*
- 000 Require discharge permits for all forestry on erosion-prone land to better address sedimentation of the marine environment*
- 000 Facilitate the transition to more sustainable harvest methods, such as continuous cover forestry and other silviculture techniques to align with international best practice*
- 000 Introduce an accurate system for assessment erosion and landslide risk*
- 000 Require performance management bonds designed to better incentivise effective risk management measures and internalise adverse environmental effects*

Impose a wilding pines control levy on exotic foresters

Wilding pines are overwhelming our native landscapes and indigenous biodiversity. Forestry plantations act as a seed source, and despite the efforts of some companies to control the spread, substantial financial resources are necessary for control activities. The exotic forest industry should contribute to the costs of controlling wilding conifers, a proposal recently supported by the Parliamentary Commissioner for the Environment.

We encourage you to implement a levy on exotic foresters to contribute to the costs of controlling wilding pine.

Without intervention, it is projected that within 30 years, 25% of New Zealand could be covered by wilding pines



We look forward to working with you during the coming term of government.

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