

SUBMISSION ON THE CLIMATE CHANGE RESPONSE (EMISSIONS TRADING SCHEME – FORESTRY CONVERSION) AMENDMENT BILL

Submitter Details

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Introduction

1. This is a submission on the Climate Change Response (Emissions Trading Scheme – Forestry Conversion) Amendment Bill (**Bill**).
2. The Environmental Defence Society Incorporated (**EDS**) is a non-government environmental organisation. It was established in 1971 with the objective of bringing together the disciplines of law, science and planning to promote better environmental outcomes in resource management.
3. EDS has long advocated for improved forestry practices in New Zealand. Following the gazettal of the National Environmental Standards for Plantation (now Commercial) Forestry (**NES-CF**), it published a review of the regulations, highlighting its deficiencies.¹ EDS has also been actively advocating for improvements to the New Zealand Emissions Trading Scheme (**ETS**) and the role of forestry within it. In 2023, EDS, Pure Advantage and WWF-NZ lodged joint submissions on consultation to redesign the permanent forest category in the ETS and on ETS settings with respect to forestry removals.²

Summary of submission

4. Forestry plays a significant role in New Zealand's economy and will continue to do so. It also plays a critical role in offsetting carbon emissions in the near term under the ETS. However, the current ETS and forestry settings are not fit for purpose.
5. The Bill seeks to amend the Climate Change Response Act 2002 (**the Act**) to limit whole-farm conversions to exotic forestry registering in the ETS. While the proposed restriction on further registration of exotic forest in the ETS on Land Use Capability (**LUC**) 1 to 5 is a timely intervention that could, to some extent, slow the conversion of productive land to exotic forestry, it remains a piecemeal approach to tackling systemic gaps within climate and forestry policy.

¹ Wright, Gepp and Hall, 2019, 'A Review of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017, Environmental Defence Society, Auckland

² See more – [Joint Submission on Review of the New Zealand Emissions Trading Scheme](#), 11 August 2023, and [Joint Submission on A Redesigned NZ ETS Permanent Forest Category](#), 11 August 2023

6. Furthermore, the proposed changes have the potential to result in perverse outcomes, including:
 - a. Shifting exotic afforestation to inappropriate locations, leading to adverse environmental effects and intergenerational liabilities.
 - b. Failing to shift away from a legacy of large-scale, concentrated areas of permanent exotic forests, due to the lack of clarity around the permanent category.
 - c. Undermining progress towards our emission reduction targets, by relying on an ETS framework that is structurally flawed and at risk of failure.
7. This submission elaborates on these potential risks.

Proposed Bill

8. EDS supports the intent of the proposed reform, particularly insofar as it seeks to restrict whole-farm conversions to exotic forestry registered in the ETS. This aligns with the National Party's election manifesto, which we have previously supported.³
9. However, as currently drafted, the Bill may not achieve the desired outcomes. This is because the amendments fail to address fundamental flaws in the design of the ETS and ignore the environmental effects of unconstrained exotic afforestation.
10. The Bill also includes policy decisions that require careful consideration to avoid unintended outcomes, such as:
 - a. A restriction on exotic forestry ETS registrations for LUC classes 1-5 (without additional safeguards)
 - b. No limits on the registration of new exotic forestry on LUC classes 7 and 8
 - c. Exemptions that apply to the restrictions, including:
 - An exemption for high or severe erosion prone land identified in a regional or district plan
 - An exemption for Crown-owned land available for afforestation.

Redesign the ETS

11. One of the objectives of the Bill is to support a credible ETS market and provide certainty for ETS participants and forestry investment.
12. The RIS highlights that current ETS settings and recent New Zealand Unit (**NZU**) price highs have driven large scale exotic afforestation, posing risks to rural communities and agricultural supply chains, leading to impacts on local employment and economic activity.⁴ It also notes that, currently, forest removals offer a cheaper alternative to gross emission reductions.
13. MPI calculations show that, at current NZU prices, the incentive is highest for permanent exotic forest over other forms of land use. While future NZU prices remain uncertain, even at recently lower carbon prices, there is still strong financial incentive to invest in exotic forestry.⁵

³ Environmental Defence Society, *Briefing for Incoming Minister of Forestry*, December 2023

⁴ MPI Regulatory Impact Statement, at 15

⁵ MPI Regulatory Impact Statement, at 22

14. The Climate Change Commission (**CCC**) has repeatedly emphasised the risk inherent in the current ETS design: it allows carbon removals by forests to undermine incentives to reduce emissions at source. In the short term, this is expected to result in the ETS driving extensive afforestation but only limited gross emissions reductions. Over the longer term, there will not be enough demand from covered sectors to support the level of afforestation needed to achieve net zero emissions by 2050.⁶
15. The CCC has recommended that the ETS be amended by:⁷
 - a. Decoupling the incentives for gross emissions reductions from those applying to forests
 - b. Providing durable incentives for net carbon removals by forests through to and beyond 2050
16. The Bill fails to address the primary issue – the fundamental flaws in the ETS design.
17. Introducing limits on how much new forest land can be registered into the ETS each year, as proposed in the Bill, is a positive step towards amending current incentive drivers. This approach aligns with the CCC recommendations.⁸
18. However, if the primary issue with the ETS remains unaddressed, then the Bill will fail to deliver sustainable outcomes, it will undermine emissions reductions targets, and will erode stability for the forestry sector and other participants in the carbon market.
19. We submit this Bill could go further in strengthening the ETS at its core. The Government should prioritise decoupling and recalibrating the incentives for forestry removals vis-à-vis gross reductions. This would ensure that the extent of gross reductions driven by the ETS are no longer contingent on the amount of removals achieved by forests.
20. The Parliamentary Commissioner for the Environment (**PCE**) has suggested phasing out the use of forestry units to offset ongoing fossil fuel emissions. Existing forest in the ETS could be grandfathered to account for current participants' expectations, but no new forests should be registered – allowing the supply of forestry offsets to gradually reduce over time.⁹

Redesign the permanent forest category

21. The previous government identified the need to address the significant risks associated with the introduction of the permanent forest category, including the potential for widespread and unconstrained exotic plantation and carbon forests, which could lead to adverse impacts on rural communities and the environment, while undermining the transition to a net-zero economy.
22. Two public consultations related to the design of this category were undertaken to address these concerns.¹⁰ Neither has been progressed since. Currently, there is a lack of regulatory certainty around the permanent forest category.

⁶ Climate Change Commission, *2023 Advice on the direction of policy for the Government's second emission reduction plan*, at 171 (CCC advice on ERP2). Recommendations were also made in *Ināia tonu nei: a low emissions future for Aotearoa*, 2021 report

⁷ CCC advice on ERP2 at 170

⁸ CCC advice on ERP2 at 185

⁹ Parliamentary Commissioner for the Environment, *Alt-F Reset: Examining the drivers of forestry in New Zealand*, April 2025, at 168

¹⁰ In 2022 (manage exotic afforestation incentives) and 2023 (redesign the permanent forest category)

23. The RIS outlines that changes to the ETS permanent forest category to reduce the incentive for permanent exotic forests relative to production forests, are outside of the scope of the analysis and that they may be considered within the broader package of work needed to achieve the Government's forestry and climate change objectives.¹¹ The current proposal is intended to apply equally to permanent and production exotic forests.
24. This just kicks the can down the road. If the Government is not committed to phasing forestry out of the ETS in the immediate term, the least it can do is address the permanent forest category.
25. We strongly encourage the Government to recommence consultation to redesign the ETS permanent forest category and **restrict it to permanent indigenous forests**.
26. Restricting the permanent forest category to indigenous forests is not intended to undermine the important role of exotic plantations in Aotearoa New Zealand. Well managed and properly located exotic plantation forests – provided they meet ecological objectives and bottom lines¹² – play an important role in meeting our climate change targets. New exotic plantation forests are also crucial for sustaining a low-emissions bioeconomy.
27. However, the primary objective of the permanent forest category (as its name suggests) should be to support the establishment of self-sustaining, long-term biodiverse and climate-resilient forest sinks that maximise long-term carbon sequestration. Indigenous forests are capable of doing this, whilst also enhancing indigenous biodiversity, improving soil health and stability, supporting conservation and contributing to air and water quality.
28. We also recognise the concerns raised by the PCE regarding the financial sustainability and long-term maintenance of permanent forests. A redesigned permanent forest category must reflect the broader public benefits of native forests and be supported by sustainable funding.¹³ Additional policies outside of the ETS will be essential to deliver improved forestry outcomes.

Consideration of environmental implications

29. Worryingly, the RIS notes that 'environmental considerations and impacts associated with exotic forests' was discarded as a policy objective.¹⁴
30. EDS is particularly concerned with the misalignment between the development of forestry policy settings and environmental outcomes. If the proposed changes proceed without careful consideration of their wider environmental implications, these could result in adverse effects on our native ecosystems – for example, by locking in forestry investments in areas of high ecological value, or by concentrating exotic afforestation in already severely degraded landscapes.

¹¹ MPI Regulatory Impact Statement at 24

¹² Ecological objectives and bottom lines outlined in the National Policy Statement for Freshwater Management, New Zealand Coastal Policy Statement and the National Policy Statement for Indigenous Biodiversity

¹³ Parliamentary Commissioner for the Environment, *Alt-F Reset: Examining the drivers of forestry in New Zealand*, April 2025, at 169

¹⁴ Ministry for Primary Industries, Ministry for the Environment, *Regulatory Impact Statement. Managing farm conversions to exotic forestry*, 20 October 2024, at 28 (MPI Regulatory Impact Statement)

31. Furthermore, given the regulatory failures of the NES-CF, and its inability to prevent significant adverse effects from forestry activities – as is well documented in EDS’s comprehensive review¹⁵ – any forestry policy decisions must be made with environmental outcomes in mind from the outset.

32. EDS strongly urges that environmental implications of the proposal be thoroughly assessed.

Pushing exotic afforestation to inappropriate locations

Erodible land

33. The Bill proposes restrictions on exotic forestry ETS registrations for LUC classes 1-5. With current moderate NZU prices, permanent exotic forests offer better economic incentives than other rural land uses, leading in the displacement of sheep and beef farming in some regions.¹⁶

34. EDS supports the proposed amendments in principle, as a necessary step to protect other productive land uses, rural communities, and the environment from unconstrained exotic afforestation.

35. However, we are concerned that limiting registrations for LUC classes 1-5, without clear additional rules guiding where afforestation is most appropriate, and without amending key regulations under the NES-CF, may simply shift exotic forestry to even less suitable areas.

36. In this regard, EDS is particularly concerned about the following proposed exemptions:

- 1) The exemption from restrictions on registering exotic forestry on LUC classes 7 and 8
- 2) The exemption for land that has high or severe erosion risk and should be retired from farming to prevent further erosion.

37. By exempting LUC classes 7 and 8, the most erosion-prone land will be targeted for forestry expansion. Some regions, such as Gisborne and Tairāwhiti are in urgent need of restrictions on exotic planting on erosion-prone land, particularly within LUC classes 6 and 7.^{17, 18}

38. The proposals completely disregard the impacts that widespread exotic plantation forestry has had on these communities and their environments – especially following extreme weather events like Cyclone Gabrielle. Sedimentation and debris flow (associated with earthworks, vehicles, river crossing, harvesting and the post-harvest window of vulnerability) have caused severe environmental and biophysical effects on freshwater and marine ecosystems.¹⁹

39. The RIS highlights the environmental and climate benefits of afforestation on erosion-prone land and cites Gisborne as an example where the ETS is the best tool to finance exotic tree cover for erosion control.²⁰

¹⁵ Wright, Gepp and Hall, 2019, ‘A Review of the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017, Environmental Defence Society, Auckland

¹⁶ Ministry for Primary Industries, *Managing exotic afforestation incentives, MPI Discussion Paper No 2022/22*, at 13

¹⁷ Mana Taiao Tairāwhiti, *Submission on ERP2*, August 2024

¹⁸ Ministerial Inquiry Into Land uses in Tairāwhiti and Wairoa, 12 May 2023, at 29

¹⁹ EDS and Pure Advantage, *Submission to East Coast Forestry Slash Sediment Inquiry*, April 2023, at 10 and 11

²⁰ MPI Regulatory Impact Statement, Appendix two at 8

40. Nearly a quarter of the Gisborne region is covered in *Pinus radiata*, a short-lived, shallow-rooting, highly flammable monoculture. Reports have found that pines are the wrong trees to plant in highly erodible landscapes at a time of climate change and ecosystem collapse.²¹
41. The PCE has warned that climate change is increasing the risk profile of radiata pine forests. More frequent and intense rainfall events raise the likelihood of sediment and woody debris flows from plantations on steep, erosion-prone land. Permanent forest cover may offer better medium-term protection, but its efficacy will depend on the species and how the forest is managed and will lead to long-term issues as those forests age²²
42. Ultimately, it all comes back to the right tree, in the right place, for the right purpose.

Crown-owned land

43. The Bill proposes allowing an exemption for Crown-owned land being made available for afforestation through partnership with the private sector. This aligns with the complementary policy in the Second Emissions Reduction Plan, which seeks to explore opportunities to plant trees, both exotic and native, on Crown-owned land with low conservation and farming value.
44. The Crown estate includes High Country pastoral leases in the South Island, land with high ecological and landscape inherent values. Protecting threatened indigenous species and enhancing the land through regeneration of natural areas with indigenous species, are relevant considerations when assessing the effects of a proposed activity on those values.²³ Only native afforestation would align with this goal and should in any event, not replace high value tussock grasslands that are endemic to an area.
45. We oppose exotic afforestation on Crown-owned land, including High Country pastoral land and the Conservation estate.

Incentivise native afforestation

46. The proposed limits do not apply to indigenous forests. We support this exemption.
47. However, the Bill does not actively propose incentives to increase indigenous afforestation. As noted above, native forests provide the opportunity to create longer-term carbon sinks – a crucial element in achieving and sustaining our net-zero target through to and beyond 2050.
48. The CCC has consistently recommended the development of a comprehensive national programme to establish more native forests.²⁴

²¹ Marden M and Seymour, A, *Effectiveness of vegetative mitigation strategies in the restoration of fluvial and fluvio-mass movement gully complexes over 60 years, East Coast region, North Island, New Zealand*, New Zealand Journal of Forestry Science, 52(19) at 14

²² Parliamentary Commissioner for the Environment, *Alt-F Reset: Examining the drivers of forestry in New Zealand*, April 2025, at 37

²³ Land Information New Zealand, *Crown Pastoral Land Inherent Values Framework*, 2022, at 7-14

²⁴ See Climate Change Commission, *2023 Advice on the direction of policy for the Government's second emission reduction plan*, and *Ināia tonu nei: a low emissions future for Aotearoa*, 2021 report

49. We acknowledge 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.
50. We strongly encourage the Government to support the development of an incentives scheme to help establish a native afforestation sector.

The need for policy alignment

51. The issues outlined above highlight the need for a joined-up forestry and climate policy approach across the NES-CF, the CCRA and the ETS.
52. We urge the Government to develop a national land use strategy that not only assesses the effectiveness of these regulatory instruments in isolation, but also examines how they interact with one another, respond to market dynamics and the emergence of sectoral inequities and competing land uses.

Conclusion

53. Overall, the Bill reflects an ad hoc approach that prioritises the interests of specific economic sectors over the broader needs of rural communities and the environment. It lacks policy coherence with New Zealand's climate targets, disregards environmental impacts and fails to ensure climate mitigation long-term effectiveness.