



Rabobank New Zealand Ltd

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

Postal Address Blake Holgate
Head of Sustainable Business
Development
Rabobank New Zealand
Office Address 32 Hood Street Street
Hamilton 3204
Phone (027) 644 4983
Internet www.rabobank.co.nz

By email: mpi.forestry@mpi.govt.nz

21 April 2022

**RABOBANK NEW ZEALAND SUBMISSION ON MANAGING AFFORSESTATION INCENTIVES
CONSULTATION DOCUMENT**

Introduction

Rabobank is New Zealand's only specialist food and agribusiness bank. We are part of an international cooperative group based in the Netherlands, with around 500 staff working from almost 30 offices across New Zealand.

Bringing together our deep connections to the New Zealand rural sector, our specialist research expertise and our extensive international reach, we work closely with our clients under our global mission of 'Growing a Better World Together'.

In New Zealand and around the world, Rabobank engages constructively with rural clients and other stakeholders to improve their overall environmental sustainability and to meet evolving requirements and standards.

With our co-operative roots and longstanding relationships with food and agri businesses, Rabobank takes a long-term view of supporting rural exporters, who we regard as critical to New Zealand's wider economic success.

We also take a close interest in legislation and regulations affecting the food and agribusiness sector. For example, we have made submissions on the Climate Change Response (Zero Carbon) Amendment Bill, the Government's Emissions reduction Plan and proposed changes to freshwater regulations. We also provided a Briefing to Incoming Ministers following the general election in 2020.

It is within this context that we welcome the opportunity to make a submission on the Ministry for Primary Industry's Managing Afforestation Incentives consultation document.

Rabobank's global approach to climate change

Under our global mission of 'Growing a Better World Together', Rabobank has committed to pursuing the objectives of the Paris Agreement. These ambitious goals are a good fit with Rabobank's values as a co-operative bank.

By 2050, there will be nearly 10 billion mouths to feed around the world. Although we produce more food today than at any other time in history, our food producing system is under stress.

Internationally, the impacts of climate change threaten predictable growing seasons and grower livelihoods. Rural businesses that can respond to these demands will be best equipped to navigate the risks and have a healthy, sustainable and profitable future.

As we said in our submission on the Climate Change Response (Zero Carbon) Amendment Bill in 2019, Rabobank believes a thriving livestock sector is vital for both New Zealand's national economy and the wellbeing of rural communities in which livestock farms are located.

Furthermore, we believe policy makers need to recognise and protect the role New Zealand plays in contributing to global food security, as a significant net exporter of food and agricultural products.

Discussion document proposals affecting forestry and the ETS

Rabobank New Zealand agrees with Ministers Nash and Shaw in their introduction to Afforestation Incentives consultation document that forests play a vital role in New Zealand's response to the climate emergency.

As the Ministers point out, there is a role for permanent forests in New Zealand – and there may also be some circumstances where exotics may be appropriate.

On balance, Rabobank New Zealand is submitting in support of the intent of the Ministry's proposal as outlined, namely, to address 3 key issues associated with permanent exotic species:

- Driving land use changes and displacing productive land uses that provide wider economic and employment benefits.
- Making it more difficult to achieve New Zealand's long-term climate change targets
- Negatively impacting on the environment.

However, we strongly believe it is essential when setting a framework for permanent exotic forests that an appropriate, pragmatic and balanced framework is struck to avoid unintended consequences for both individual landowners, and rural communities across the country.

We have consulted with a number of our rural clients to test both the intentions of the framework set out in the consultation document, and our own recommendations in this submission. They believe, and we agree, that the success of the current proposals is not assured in their current form. In other words, the devil will be in the detail.

Avoiding negative outcomes for the agriculture sector and rural communities

Rabobank New Zealand draws the Ministry's attention to the potential negative outcomes we highlighted in our submission on the Government's Emissions Reduction Plan, dated November 24, 2021.

In particular, we highlight the following four cornerstone observations:

- We must avoid policy settings that would enable emitters in other sectors to use forestry as a carbon sink to delay taking action on meaningful emission reductions in their own businesses. We are concerned that over time this would lead to increasing competition for productive farmland from these emitters in lieu of making actual emission reductions themselves.
- It is essential to recognise the co-benefits associated with native forests such as long-term erosion control, improved biodiversity and recreational benefits. Therefore, Rabobank believes forestry land-use represents a significant opportunity, both environmentally and economically, for the future of New Zealand's primary sector if planted in locations unsuitable for food production. Rabobank submits current policy settings are unlikely to deliver this outcome.
- Non-harvest permanent pine is increasingly being planted solely for carbon (as highlighted in the "Transitioning to a low-emissions and climate-resilient future" consultation document). Rabobank is concerned about the potential long-term social, economic and environmental impacts that unregulated large-scale permanent exotic forests can have on the local communities when not appropriately managed (such as ensuring they successfully transition to native forests over time).
- Rabobank submits any change to the ETS should account for the potential for the unintended consequences of afforestation to significantly restrict future generations of New Zealanders to produce food from productive farmland, and the associated negative impacts this could have on local communities.

In summary, we submit that any changes to the ETS should not significantly and unnecessarily:

- Restrict the ability of future generations of New Zealanders to produce food from productive farmland.
- Impact the ability to maintain and develop thriving rural communities.

- Degrade New Zealand's unique natural landscape and environment.

However, it is important that these principals are balanced against both individual property rights, and the need to reduce New Zealand's overall emissions profile. Therefore, Rabobank submits this requires a more nuanced policy response than the current proposal for an absolute exclusion of exotics from the permanent category of the ETS.

Preserving individual property rights

Rabobank maintains that any changes to the ETS must ensure that individual property rights are preserved, including owners' freedom to make choices about their land subject to reasonable and necessary limits (e.g., to address the negative externalities of a particular activity).

Therefore, Rabobank submits that any changes to the ETS should provide a pathway and scope for exotic plantings to be included in the permanent category, if there is clear evidence that there will be no more than minor negative impacts on the environment, rural communities and productive farmland.

Furthermore, there needs to be sufficiently robust ongoing requirements to appropriately manage any exotic plantings to ensure the above is achieved.

It is important to provide this pathway to ensure there is scope and incentive for innovative solutions to climatic, environmental, social and economic challenges; and to enable landowners to be fairly recognised for the positive climate impact (i.e. sequestration) occurring on their property.

Mechanisms to incentivise indigenous afforestation

The Discussion Document seeks feedback on mechanisms to incentivise indigenous afforestation. In this respect, Rabobank believes it is important that landowners receive appropriate reward for the positive climate impacts of on-farm indigenous plantings (both existing and in the future).

We refer the Ministry to our previous submission on the Government's Emissions Reduction Plan, where we say:

Additional carbon removed by small blocks of trees and vegetation on farms is outside current emissions accounting approaches. Rabobank believes it is important that there is ongoing development of technology that makes it more possible to robustly estimate emissions from these areas in the future to enable landowners to be appropriately recognised for the removal of this carbon.

Rabobank also encourages the Government to actively engage in ongoing dialogue with relevant stakeholders throughout the food supply chain to help ensure that farmers and

growers are appropriately rewarded for the ecosystem services that their operations provide, which are generally not currently providing direct monetary value to landowners.

Rabobank submits there is the opportunity for such engagement to result in the development of mutually beneficial solutions for the environment, while also creating value for farmers, growers and other stakeholders across the food supply chain.

Conclusion

Rabobank agrees that production forests should play an important role in meeting New Zealand's emission budgets, but that any reliance on forestry as a carbon sink should not divert action away from reducing gross emissions in other sectors.

Rabobank submits it is important to avoid policy settings that would enable emitters in other sectors to use forestry as a carbon sink to delay taking action to make meaningful emission reductions in their own businesses.

We are concerned that over time this would lead to increasing competition for productive farmland from emitters wanting to use forestry in lieu of making actual emission reductions themselves.

Rabobank agrees that there is significant land area in New Zealand of limited value for food production, but which is suitable for productive forests and/or for the establishment of permanent native forests. In addition, there are areas of exotic permanent forests that can be specifically managed to transition to indigenous species over the long term.

We also support the observation that there are multiple co-benefits associated with native forests such as long-term erosion control, improved biodiversity and recreational benefits.

Therefore, Rabobank believes forestry land use represents a significant opportunity, both environmentally and economically, for the future of New Zealand's primary sector if planted in those locations unsuitable for food production.

Finally, we submit that a key consideration when evaluating policy options should be the potential for unintended consequences that significantly restrict future generations of New Zealanders to produce food from productive farmland.

Contact:

Blake Holgate

Head of Sustainable Business Development

Rabobank New Zealand

Mobile: 027 644 4983