

11



Ministry for the Environment
Manatū Mō Te Taiao



To: Hon Dr Nick Smith, Minister for Climate Change Issues
Hon David Carter, Minister for Primary Industries

12-B-00053 Meeting with Iwi Leaders at Waitangi: Climate Change

| | | | |
|----------------------|-----------------|-------------------------------|-----------------|
| MAF Tracking Number: | B11-485 | MfE Tracking Number: | 12-B-00053 |
| Date Submitted: | 31 January 2012 | MfE Priority: | Non-urgent |
| Security Level: | IN CONFIDENCE | Number of Attachments: | One |
| Action Sought: | Nil- note only | Response/Signature Needed by: | 5 February 2012 |

Ministry for the Environment Contacts

| Position | Name | Telephone (cell) | Telephone (work) | 1st Contact |
|---------------------|---------------------------------|------------------|------------------|-------------|
| Principal author | Withheld under Section 59(2)(a) | | | |
| Responsible Manager | Peter Brunt | 027 4982332 | 04 4397575 | |
| Director | Stuart Calman | 021 662162 | 04 4397571 | ✓ |

Ministry for Agriculture and Forestry Contacts

| Position | Name | Telephone (cell) | Telephone (work) | 1st Contact |
|---------------------|---------------|------------------|------------------|-------------|
| Responsible Manager | Kathy Perreau | 029 894 0585 | 04 894 0585 | |
| Director | Mike Jebson | 029 894 0696 | 04 894 0696 | ✓ |

Executive Summary

1. You are meeting with Iwi Leaders on 5 February 2012 in Waitangi. Climate change issues will likely be raised at this meeting. This meeting will be important to continue strengthening the relationship between iwi leaders and Ministers.
2. This briefing material detailed in Appendix 1 provides background information on the points that the Iwi Leaders will likely raise for discussion, which include:

- Out of scope
- Out of scope
- anticipated amendments to the New Zealand Emissions Trading Scheme (NZ ETS) in 2012, in particular iwi interests in offsetting and the second tranche
- Out of scope

Stuart Calman
Director, Climate and Risk Directorate, MfE

Mike Jebson
Director, Resource Policy, MAF

Date

Date

Appendix 1: Background information for discussion

Themes emerging from regional hui held by the Climate Change Iwi Leaders Group (CCILG) to date

1. The Climate Change Iwi Leaders Group (CCILG) held four regional hui during November in Whakatane, Gisborne and Hamilton. Five more hui will be held during February in Waitangi, Wellington, Whanganui, Christchurch and Rotorua. We understand that the CCILG will present you with a report summarising the discussions from the hui in March.

2. Below is a summary of key issues raised by the CCILG that have emerged, in part, out of the regional hui to date. These are likely to form the areas of focus for CCILG in 2012.

- At this stage, no new issues are emerging in the regional hui. Forestry issues within the New Zealand Emissions Trading Scheme (NZ ETS) remain a strong focus. However, there is a growing focus on what the NZ ETS means for agriculture.
- Iwi feel that there is growing certainty in climate policy. International progress at Durban and continuity of government and policy direction are key drivers of this.
- Amongst iwi, there appears to be growing comfort with the NZ ETS. It is increasingly accepted as 'business as usual' and a major change in direction is not desired. Upcoming amendments are understood to be a process of refining the scheme, rather than changing direction.
- On forestry, some iwi are still experiencing issues around deadlines for allocation applications. There is a strong interest in providing for pre-1990 forest off-setting within the NZ ETS, though also interest to receive the second tranche of allocations.
- There is also growing interest in further developing and focussing mitigation policies to complement the NZ ETS. In particular there is interest in farm measures to help iwi farmers reduce agricultural emissions.

Out of scope

Out of scope

Anticipated amendments to the NZ ETS in 2012

7. A key focus of iwi interest on climate change is likely to be the NZ ETS and settings going forward. The ETS Review Panel (the Panel) provided its final report on 30 June 2011. Chris Insley was the member of the Panel appointed due to his 'appropriate knowledge, skill and experience relating to the principles of the Treaty of Waitangi and tikanga Māori', as required under Section 3 of the Climate Change Response Act. Representatives of the CCILG met with the panel and a number of iwi made submissions to the panel consultation.
8. Minister Smith has indicated that, following Cabinet's consideration of the Panel's report, legislation will be passed in 2012 to amend the NZ ETS. On 18 July 2011, Cabinet invited the Minister for Climate Change Issues to report to Cabinet by February 2012 (through the relevant Cabinet committee) with proposed changes to the NZ ETS based on the Panel's recommendations, developments in and discussions with Australia, and further analysis.
9. Officials provided Minister Smith at the end of last year with a package of policy proposals for NZ ETS amendments, which could form the basis for discussion at Cabinet in February/March.
10. The legislative timetable for introduction and passage of legislation in 2012 is likely to be tight given the complexities of the Bill. Following Cabinet consideration of the most substantive changes (February) and more technical 'second order' amendments (likely to be March) and drafting by the Parliamentary Counsel Office (PCO), introduction is likely in June or July, to allow passage by November or December. Iwi are likely to push for consultation on key proposals prior to the introduction of legislation, particularly on amendments to the forestry sector settings.

Offsetting (Flexible land use)

11. In the Durban negotiations it was agreed that flexible land use be permitted in land use, land-use change and forestry (LULUCF) rules in a second commitment period of the Kyoto Protocol. The rules require that the offset forest is at least an equivalent area, and that carbon stocks

equivalent to the deforested forest at the time of harvest achieved within the usual rotation of the harvested forest. Natural forest regeneration cannot be used to meet offsetting obligations.

12. There are some key considerations and decisions for Ministers relating to implementing offsetting. Under the scenario of signing up to a second commitment period, any departure from the agreed international rules in the NZ ETS could create fiscal liabilities for the Crown. Ensuring environmental integrity of the NZ ETS and acceptability of trading partners will also be important. Officials continue to work through the details of how offsetting is best implemented through the NZ ETS. For foresters, including iwi interests, offsetting will still involve costs; primarily the cost (or opportunity cost) of the offset land, and land conversion costs. Offset forests would likely be treated as pre-1990 forest land with very similar obligations.

13. There has been consistent support for implementing offsetting provisions within the NZ ETS from Iwi/Māori. There is likely to be keen interest in working through the details of how offsetting is implemented and you may wish to ask how Iwi/Māori would like to be consulted.

Forestry allocation and the second tranche

14. The forestry allocation for pre-1990 exotic forests was provided as a one-off partial compensation for the potential impact of the NZ ETS on land values. The allocation made distinctions on the impact of the NZ ETS based on when and how the forest land was acquired (before or after 2002). The Government decided to allocate 18 NZUs to Crown Forest Licence (CFL) land transferred to successful Treaty claimants after 1 January 2008.

15. The deforestation liabilities particularly impact land that has the potential to change to another higher and better land use than forestry. Offsetting (as covered above) reduces the cost of deforestation liabilities, improving the viability of converting pre-1990 forest land to a higher-value land use, thus increasing the value of the converted land. In the past, the government has signalled that the second tranche may be reconsidered, if flexible land use was achieved internationally.

16. Cancelling the second tranche is likely to be unpalatable to Māori forest owners, as they believe that there are still substantial costs associated with deforestation that will not be covered by offsetting alone. Also some Māori forest interests may not intend to deforest at all.

Out of scope

Out of scope

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

RELEASED UNDER THE
OFFICIAL INFORMATION ACT