

# Minutes for Lake Rotorua Catchment Stakeholder Advisory Group, 16 February 2015

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**Rotorua Lakes Council – Committee Rooms**

**1061 Haupapa Street, Rotorua, 9:00 am start**

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**Chair:** Tanira Kingi

**Members Present:**

- Collective: Tony Cairns, Wendy Roe, Neil Heather, Stuart Morrison and Giselle Schweizer
- LWQS: Don Atkinson and Warren Webber
- RDC: Cr Karen Hunt
- TALT: Roku Mihinui
- Te Arawa Landowners: John Fenwick, Te Taru White and Clinton Hemana
- BOPRC: Cr Neil Oppatt
- Deer: Sharon Love
- Small Blocks: Don Hammond

**Others Present:**

Sarah Coatsworth (Collective); Gwyn Morgan (Federated Farmers); Ollie Parsons (Dairy NZ); Ben O'Brien (B&LNZ); Max Winders; BOPRC Staff: Sandra Barns, Nassah Steed, Jodie Rickard, Stephen Lamb, Alastair MacCormick; RDC staff: Paulina Wilhelm and Paul Skinner; Arapeta Tahana-GHA; Christina Walker (Fulbright Scholar Researcher); Martyn Craven (Telfer Young); Simon Park (StAG Secretariat); Gloria Zamora.

**Action summary**

1. Stephen Lamb: report on intensive land use definition in permitted activity rule
2. BORPC: report on the allocation principles applicable to each range option, a position on non-benchmarked property and a narrative on how the data is being generated and used in allocation.
3. StAG members: send Ollie Parsons any questions they want tested through catchment analysis model
4. Stephen Lamb: send notes from allocation workshop to Gloria Zamora to circulate
5. Ollie Parsons: respond on drivers for incentives uptake and the relative impacts between total revenue and total profit.
6. Simon Park: liaise with Paulina Wilhelm on progressing TDR issues at StAG, including the N trigger level
7. Sandra Barns: send Gloria Martyn Craven's report to circulate when available.

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**Item 1: Welcome, Karakia, Introductions and Apologies**

Chairman Tanira Kingi welcomed StAG members and attendees to the meeting and Clinton Hemana opened with a karakia.

Apologies for absence: Lisa Power, Warwick Murray, Angela Sharples

Apologies for lateness: Warren Webber

**Motion: Apologies approved. Atkinson / Heather, CARRIED**

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**Item 2: Minutes of previous meeting (16 December 2014) including Actions**

- a) **Action Deferred to next meeting:** Sarah Omundsen: to return to StAG with a larger package on what the starting point options are for NDAs in February not December.
- b) **Action in progress:** Hariata Ngatai to send comms plan to Gloria Zamora and attach to minutes when distributed.

**Motion: 16 December 2014 Minutes approved with clarification. Atkinson/Hunt CARRIED**

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**Item 3: General business items to add**

- a) Max Winders comment around 1960s water quality
- b) Opportunities Symposium
- c) Section 32 clarification - covered on agenda
- d) Definition of intensive land use - BOPRC needs to define

**ALL PRESENTATIONS FROM MEETING MAYBE FOUND [HERE](#)**

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**Item 4: DRAFT Principles for converting Nitrogen Discharge Allowances (NDA) from Overseer version 5 to version 6 – Alastair MacCormick**

- a) **Draft Principles for converting NDAs to new Overseer versions**
  - i) The key principle has been to maintain consistency and proportionality with the original sector-based “Integrated Framework” from mid 2013.
  - ii) Advice and support project has started – it needs at least “provisional” NDAs, based on the draft dual sector range policy, and using the current Overseer version 6.1.3
  - iii) The data is not complete across the catchment. Council has used aerial photos and GIS to extrapolate sector average N losses to fill in the gaps.
  - iv) As BOPRC collates more Overseer data, the current data set is adjusted with consequent changes to provisional NDAs.
  - v) Attenuation and Overseer will be discussed at the next Water Quality Technical Advice Group (WQTAG)
  - vi) Simon Park and Warwick Murray are currently working with other councils to get a more synchronised national approach to managing Overseer version changes.
  - vii) About 75% of drystock land has been benchmarked. While all dairy has been benchmarked, BOPRC does not have all the Overseer files and therefore ongoing conversion assumptions are made as new versions are released.

**b) Discussion:**

- i) The Collective wants more clarification on N losses/adjustments for under 10 ha. If you are a “permitted activity” will there be any reduction and how will the total load be affected? To be addressed at subcommittee.

**c) Draft Version 6 Sector NDA distributions - Simon Park**

- i) Presentation is a recap from Warren Webber with a possible dual pastoral sector and a possible single pastoral range. Plus an additional sector ranges options prepared by Simon (“range of ranges”).
- ii) The alternative sector ranges all achieve the same net nitrogen reduction by rules (about 200 tN in version 6) but have not been reviewed by BOPRC staff.

**d) Discussion:**

- i) A wider range benefits those with higher benchmarks.
- ii) Originally the range was 30-40 (v5) and the presentation suggests 30-60 (v6) and that’s where the distortion lies.
- iii) Farmers stated that they would like a lower loss to the lake spread out evenly and fairly.
- iv) Farmers would like to know what principles are being assumed. This needs to be covered in a fuller paper from BOPRC.

**ACTION:** Stephen Lamb to report on intensive land use definition in permitted activity rule

**ACTION:** BORPC to report on the allocation principles applicable to each range option, a position on non-benchmarked property and a narrative on how the data is being generated and used in allocation.

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**Item 5: N Rules development, timeline and StAG input – Stephen Lamb**

- a) Rule notification will be by 30 June this year. It is time to move to a point of certainty.
- b) There is difficulty writing rules with uncertainty around allocation.
  - i) Council needs preferred approach or statement from StAG.
- c) Section 32 - Beca has been contracted to do the ground work on this. Council will receive Beca’s analysis and Council will add to it.
- d) **Discussion:**
  - i) Input into the draft Section 32 analysis will be sought from RLC and StAG but timing unsure at this point.

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**Item 6: Catchment economic analysis results to date – Sandra Barns / Ollie Parsons**

- a) Currently project is slightly behind schedule – this presentation is preliminary results.
- b) Key messages
  - i) It is feasible that the incentive fund can buy N within the same market.
  - ii) Project team needs questions to put through the model for testing, including possible ranges alternatives.

- iii) The model does not assess different types of N trading (e.g. open Vs restricted) and does not assess “above the line” trading (e.g. short term entitlements).
- iv) The Incentives fund is the largest buyer of N under all options.
- v) The overall cost goes up as trading efficiency goes down - therefore allocation options that rely more heavily on re-distributive trading (equal, natural capital) have higher overall costs.
- vi) Presentation based on Overseer version 6. Similarly, the Incentives fund will buy about 140 tN, not 100 tN, although the mitigation effort remains the same.

c) **Discussion:**

- i) What price was used for N? A: The price is the “market” price generated by the modelled supply & demand. With efficient trading, it is about \$200/kgN – this rises to beyond \$400 with less efficient trading.
- ii) What is the likelihood of 7000 ha being converted? Forestry will not pay more than about \$3000/ha which is much less than pastoral land values.
- iii) Farmers would like to hear comment on the impact on total revenue, not just on total profit.

d) BOPRC need StAG allocation recommendations in March

**ACTION:** StAG members to give Ollie Parsons any questions they want tested through catchment analysis model.

**ACTION:** Stephen Lamb to send notes from allocation workshop to Gloria Zamora for circulation to StAG

**ACTION:** Ollie Parsons to respond on drivers for incentives uptake and the relative impacts between total revenue and total profit.

**Item 7: TDR revised scheme, process from here – Paulina Wilhelm**

a) RLC is seeking endorsement of the presented framework from StAG

b) Key points:

- i) TDRs will develop via a new variation process, not via the current plan change.
- ii) TDR donor land is any area that reduces N via permanent land use change and can be any land in the catchment.
- iii) TDR recipient land is the land that will be subdivided using the TDR.
- iv) The recipient area now included more land.
- v) The TDR trigger point is amount of N reduction that would qualify for a TDR
- vi) In the proposed plan it was 500 kgN. TDR working group has given a range of 150 kgN to 450 kgN. We still set a trigger point.
- vii) A lower trigger means lower TDR value due to greater supply.
- viii) Market demand – current average of 10 new rural lifestyle lots per year.
- ix) The TDR working group has not come to a decision on restricting subdivision elsewhere in the catchment without a TDR.

- x) More open access to development land via the District Plan changes may increase demand.
- c) **Discussion:**
  - i) Given that recipient areas fall within the Rural 2 zone, will there be a demand for a TDR or will it be negligible where zones already have subdivision rights?
  - ii) Farmers unhappy with District Plan rural zone subdivision threshold increasing from 15 ha to 40 ha. This is subject to Federated Farmers' appeal.
  - iii) Where the additional people coming from given recent RLC report stated that the population is shrinking? Conversely, opening up subdivision could attract more people Rotorua. At a city level, the district is becoming more attractive.
  - iv) TDR and the Incentives fund will operate in tandem i.e. farmers eligible for TDRs are effectively getting an additional incentive for the same reduction.
- d) StAG not able to give a recommendation at this time on TDRs

**ACTION:** Simon Park to liaise with Paulina Wilhelm on progressing TDR issues, including TDR trigger level

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### **Item 8: Impact on land values from nitrogen rules - Martyn Craven**

Martyn Craven of Telfer Young presented some analysis on the land value implications of Rule 11 and possible further N restrictions. Key points:

- a) Land Value = Perceived benefit of Land Use rights. These benefits are affected by:
  - i) Future land use or "highest and best use"
  - ii) Potential intensification of existing use
  - iii) Imposition of regulatory costs, including "form filling"
  - iv) Uncertainty risks
- b) Conclusions
  - i) Non-amended data analysis shows no discernible correlation between Rule 11 and land value, based on very limited sales data from Taupo and Rotorua
  - ii) However, it can be asserted that there is a detrimental value impact due to location within Lake Rotorua catchment, based on N restrictions.
  - iii) Differentials in contour, size and productive capacity limit the data reliability.
  - iv) A negative value impact on drystock (pastoral) of 10-20%, dependent on location within the catchment and economic capacity.
  - v) Comparable dairy value impact is 15-20%
  - vi) Lifestyle (2-10ha) values not related to production potential, Vs views, proximity or other amenity values.
  - vii) RPS driven N constraints expected to add further 10-15% reduction, but will vary especially if dairy is not feasible on current dairy land.

### **c) Discussion**

- i) Forestry is not included in the analysis as the nutrient rule does not impact forestry because it's a permitted activity.
  - ii) Given that a significant amount of land is Maori owned and not for sale, how does that affect the analysis? A: That doesn't affect the non-Maori land value.
  - iii) Farmers noted there have been virtually no farm sales since Rule 11
  - iv) How much of uncertainty will affect the % value reduction? A: Banks are still financing deals, although with more scrutiny.
- d) Results will be in the section 32 report.

ACTION: Sandra Barns to circulate Martyn Craven's report when available.

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### **Item 9: General Business**

- a) StAG meetings
  - i) Chairman Tanira Kingi stated his concern of getting through the lengthy agendas with meetings running over time.
  - ii) Suggestions to:
    - increase the meeting time from 3 to 4 hours.
    - subcom to meet 1-2 weeks before StAG to sort out agenda priorities.
  - iii) To be progressed at subcom
- b) Max Winders stated his disapproval of an online Project Brief which stated that the "community wanted the lake quality to what it was in the 1960s" pointing out that in the 1960s sewer was dumping straight into Lake Rotorua.
- c) Opportunities Symposium: farmers asked if funding sought for the Opportunities Symposium impacts the Incentives Fund. Stephen Lamb explained that should any money go to funding the Symposium, it would be from a separate fund administration budget, not from the \$40 million Incentive Fund.

**Meeting Concluded 12:50 pm**