

Trading nitrogen discharge allowances

Recommendations required from
StAG

17 March 2015




Proud Partners



Recommendations sought from StAG

- Receive the report
- Confirm support for trading nitrogen discharge allowances
- Provide recommendations on
 - Trading short term entitlements (STE)
 - Trading long term entitlements (NDA) prior to 2022

Trading?

Benefits	Costs
Allows farmers flexibility in transition to low nutrient state	Requires trading mechanisms to be established
Incentivises efficient resource use	Adds complexity to the rules framework
Lowest overall cost for achieving sustainable limit	Requires Council to develop rules for STEs - where, when and how used, how sold, to whom, duration of right ...)
	Administration costs associated with recording trades (resource consents...)
 <p>ROTORUA TE ARAWA LAKES PROGRAMME</p>	Increases the need for effective monitoring and enforcement in order to maintain the value of the right

Indicative Council position

- General support trading
- Government expectation

Trading short term rights?

Benefits	Costs
Allowing farmers more flexibility to transition to low nutrient state.	Requires trading mechanisms to be established
Incentivises efficient resource use in the short term and the longer term	Adds complexity to the rules framework
Lowest overall cost for achieving sustainable limit	Administration costs associated with recording trades (resource consents...)
STEs fit with a delay in trading, if that is recommended (next decision)	Requires Council to develop rules for STEs - where, when who can buy, duration of right ...)
If in conjunction with NDA trading, more farmers to participate in trading	May need additional support from Council (e.g. to lower transaction costs)

Indicative Council position

- No specific position
- Response to pastoral sector?

Delay NDA trading until 2022?

Benefits	Costs
<p>Increases certainty for Incentives Scheme 100t reduction - does not eliminate the risk</p>	<p>Farmers cannot choose who they sell to in the short term (to 2022). Perception of unfair pricing?</p>
<p>Thus increases the certainty of reaching the 435 tonne sustainable limit for the lake</p>	<p>Reduces choice; farmers cannot make permanent increases in NDA prior to 2022</p>



Indicative Council position

- Head start for Incentives Scheme
- Responsibility for community share
- Pre-cautionary approach

Thank you