

Economic modelling

Feedback to Graeme Doole



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General - includes

- Executive summary and main report
- Clarify purpose
- Sensitivity on key parameters e.g. MS payouts
- More info about
 - Land use change
 - Mitigation costs curves
 - Farmer debt implications



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Land use change

- Land use change:
 - Restricted to 3,000ha
 - Unrestricted to be run
- Incentive board – insights from modelling
 - Price of nitrogen
 - Who should be targeted
 - Specific set of runs to seek key information

Capital

- Transition costs – capital costs of moving into different sector
 - Provided by Lee Mathieson to Waikato Regional Council
 - Suitable to this model
- Existing infrastructure etc
 - Salvage values for feed pads / dairy sheds - no
 - Sale of livestock and shares - yes



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What if no trading?

- Running a model with a nominal amount (1%) of trading – results in final report
 - Increases costs of meeting the environmental target
- Some allocations have few mitigation options
 - S1 Sector average (single figure)
 - S2 Sector average - biophysical characteristics
 - S4 Natural capital
 - S5 Equal allocation

Forestry – costs and revenue

- Net present value – 8% discount rate
- Based on soil types, rainfall bands and slope
- Year 1, 2, 3: Establishment
- Year 7: Thinning
- Year 27/28: Landing, internal roads, harvesting
- Year 28: Timber sales
- Carbon revenue \$4/tonne



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Where to now

- Remaining questions to address in model and /or report
- Input from Ollie (back next week)
- Delivery of report following that
- Questions from StAG members can still be addressed
- Rotorua district economy



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