

DRAFT – Summary of Incentive Scheme

Incentive scheme approach

The incentive scheme will be run according to the following approach:

- An open and transparent process – information will be readily available about how proposals will be assessed and decisions made, scheme mechanisms will encourage competition
- Fair access – the incentives will be open to all landowners who are likely to be affected by nutrient reduction rules, there will be equal opportunities to apply for funding
- Well governed – there will be clear governance structures and accountability for decision making
- Based on efficient administration – we will use existing systems and resources where possible to ensure funding is used for the purpose intended
- Responsive to opportunities – within the boundaries of the agreed process we will engage with applicants to explore proposed outcomes and to look at funding options (such as loans, grants, joint ventures).

Draft principles

1. Nitrogen reduction to good management practice will not be incentivised
Incentives target the gap between good management practice and what the rules require. They are not intended to help farms get to good practice.
2. The most nitrogen reduction per dollar
All other things being equal, we will seek the lowest price for nitrogen
3. Only fund actions that make significant contributions
4. Reductions must be clear, quantifiable and measurable – e.g. through Overseer
5. We will only pay for the demonstrated cost of change
Funding should not be used to support nutrient reduction activities that are cost neutral to do or that are financially positive.
6. Perpetuity – we will fund activities that will achieve long term reductions
7. Nutrient reduction proposals with significant co-benefits will be favoured
Proposals that also include consideration of sustainable economic growth, natural capacity of the land, social and environmental

Decisions need to be made about how to operationalise the policy through both eligibility and assessment criteria. The eligibility criteria is to screen people out from submitting an application that is not going to go anywhere. The assessment criteria is to enable ranking and scoring of the actual application.

Draft Eligibility

1. All land covered by application must be contained within the Rotorua surface water catchment

2. All applicants must demonstrate that the reductions are below good management practice for that parcel of land.
3. Applications are for diffuse nutrient discharges only
4. The estimated nutrient loss is over 500kg or properties over X ha and % of benchmark
5. Applicants must be compliant with all Regional Water and Land Plan rules
6. Applicant must be willing to sign binding agreement in perpetuity (xx years)

Draft criteria

- Available to land or landowners that are affected by the rule
- Available to land within the catchment
- Relevant costs versus benefits of the project
- Science based evidence to support estimated reduction
- Collaboration with other organisations to maximise impact
- Track record of the applicant
- Ability to deliver the reductions

Draft Scoring Card

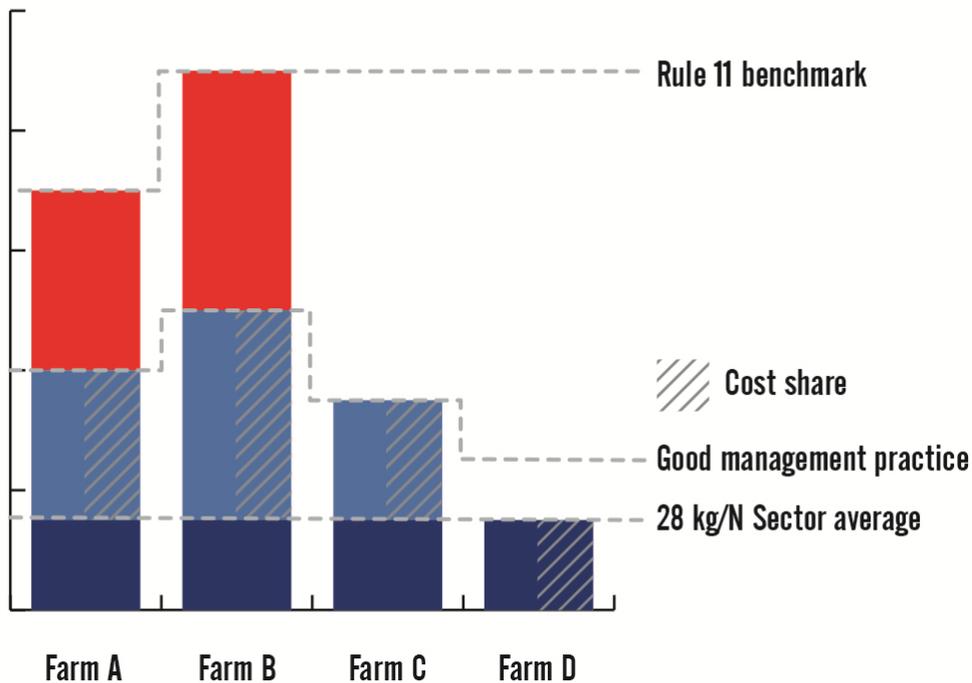
This is an example of what a scoring card could include for assessing the applications that meet the eligibility criteria.

Criteria	Points	Weight
Total P reduction: 10-20kg = 1 pt, 20-40 = 1.5	#	#
Total N reduced. We will only consider reductions below agreed optimal farm 500-1500 = 1, 1500 – 2500 = 2, 2500-5000 = 3, 500 < =	#	#
Cost of nitrogen reduction per kg or ha \$0-100 = 5pt, \$100-150 = 3pt, \$150-200 = 3 pt	#	#
Co-benefits, i.e economic impact, Cultural benefits Social benefits, Environmental benefits-non lake Clearly proven Co-benefits = 3 Possible benefits =2 Probably of co-benefits low = 0-1	#	#
Bonus point for demonstrated environmental stewardship – <i>this is to acknowledge work undertaken prior to incentives scheme made by land owner.</i>	#	#

The Incentives Fund (\$45.5 million) will not cover the estimated on-farm costs of achieving the necessary nutrient reductions (\$xxxxx and \$xxxxx¹). A cost-share mechanism, where the landowner bears a portion of the costs to reach a nutrient target, can be used to ensure that the limited available funding achieves the greater reduction in nutrients reaching the lake.

Below is a table which sets out an example based on a 50% cost share. This is using the sector average on dairy as an example of how cost share works. It shows the reduction to good management practice is not funded. But a portion of the cost to reduce to new allocation is funded.

Cost share funding scheme



¹ Beca Report, Lee Matheson etc