

## **StAG subcommittee meeting 13 May 2013, 12.30-1.00pm**

**Present:** Sarah Omundsen, Anna Grayling, Warren Webber, Simon Park.

It was considered that the StAG subcommittee needed additional scheduled meetings given the timeframe for StAG to develop allocation and incentives advice, including initial advice by early August.

Suggested StAG subcommittee dates were:

28 May, 10-12; 18 June 1-3pm (after full StAG); 2 July. [subsequently 6 June 9-11 has been added]

Simon also noted that he will be away from 21 July to 4 October and some cover will be needed (Simon will be in email contact). Warren can assist during late July and August but he is away in September. There will be a brief lull in September so BOPRC staff will keep things moving then.

## **StAG subcommittee meeting 28 May 2013, 10-12pm**

**Present:** Stuart Morrison, Sarah Omundsen, Anna Grayling, Warren Webber, Simon Park.  
(Apologies from Liam Dagg and Hera Smith)

A basic agenda for this meeting was pre-circulated:

1. incentives advice - decisions to be made and timeframes - draft Gantt chart (Anna)
  - a. scope for an interim funding scheme
  - b. TDR symposium
2. incentives actions from here
3. allocation - what "sectors" we might use in a sector average option? (Sarah to lead)

Additional discussion items raised were:

- Re-cap on allocation advice development
- StAG Chairman's report to Rotorua Te Arawa Lakes Strategy Group
- Setting an agenda for 18 June

### **Incentives advice**

Anna referred to her pre-circulated note on "Principles of Incentive Scheme" that had been tabled at 13 May StAG. Discussion points:

- Council still expects integrated advice on "the allocation and incentives package" in August.
- Therefore we need 18 June to be split evenly on the allocation and incentives themes.
- The "flat rate" incentive option was raised at 13 May StAG – this appears contrary to previous views from Council and StAG where "paying for the demonstrated cost of mitigation" through using market based tools was a key principle, which could be achieved via regular tender rounds.
- Tender Vs Flat: there is a tension between paying the "cost" and "why should different landowners receive different prices for the same amount of N"
- A flat rate appears simpler which has advantages for landowner and wider public understanding and possibly support of the incentives scheme.
- Acknowledged that rules/allocation are the primary means of achieving the 435 tN target, not incentives. BUT if funding it is spread evenly over the 200 tN (estimate of total

reduction “beyond good practice” needed from pastoral land), then \$45.5m divided by 200,000 kgN = \$227.50/kgN

- Simon suggested a tiered series of rates, with straw-man \$ values that may roughly average out similar to 227.50, as follows:
  - a. Gorse to trees @ \$100/kgN (because we know it is cheaper)
  - b. Land management change @ \$200/kgN
  - c. Land use change @ \$300/kgN (higher rate than management change to reward the more permanent / certain nature of land use change)
  - d. Both b & c would be subject to other minimum criteria e.g:
    - reductions must be “beyond good nutrient practice”
    - greater than 500 kgN, greater than 10% reduction (to avoid minor reductions and/or reductions within Overseer’s margin of error)
- Caveats on a flat rate scheme (e.g. beyond good practice) can address potential problems
- Potential advantages of this are that farmers can see the \$ value at the start and make strategic mitigation decisions accordingly.
- Agreement that open debate on allocation approaches is warranted, although BOPRC staff’s preference is still around previously identified principles, recapped by Simon as:
  - a. Value for \$
  - b. Outcome / performance based
  - c. BMPs not incentivised
  - d. Clear and quantifiable reductions
  - e. Pay for demonstrate cost of change
  - f. Perpetuity
  - g. Significant co-benefits recognised
  - h. Transparency / probity
  - i. Simon added “simple”, recognising that a “flexible tender” approach would probably score well on all the above principles
- Gorse to trees – could be a subset of a tender scheme
- “Cost-effectiveness” as a principle needs context – it depends on whether you mean the fund itself, or the overall impact on the community
- The incentives scheme and criteria must not be structured or perceived as a compensation scheme – that may jeopardise Crown funding

The team then discussed whether the incentives approach should be driven mainly by Pragmatism Vs Principle. It seemed when we considered a principle, we immediately tested it (verbally) against various pragmatic examples e.g. gorse to pines, agro-forestry, winter shelters, lower stocking rate. Some of these examples feature in Anna’s tabled “Buying N” matrix.

A pragmatic approach may mean StAG identifying some key mitigations and consider how best they can be funded, while still testing the example / approach against principles.

**Action:** Anna to draft a simplified diagram of approach / principles / criteria for 18 June StAG

## TDR symposium

Only brief discussion due to limited time – LWQS are proceeding with planning for 4 July, noting:

- Clarity needed on RDC Vs BOPRC content boundaries
- Caution likely from RDC elected members given imminent District Plan Hearings.

**Interim funding:** not discussed due to lack of time.

## Item 3 Allocation – what “sectors” can we use in a sector average option?

Debate centred on the pros and cons of having “dairy support” as a separate sector, or leaving it within dairy (as per most work to date e.g. ROTAN, Motu’s draft analysis). Points noted:

- Dairy support has become more common, and is relatively profitable compared with standard sheep and beef – approximately 2300ha in 2001-2004 Rule 11 database. This is likely an area underestimate due to:
  - Benchmarking has focused on properties > 40ha, excluding many “lifestyle” blocks used for dairy support
  - Growth in dairy support due to economic drivers
- Dairy support has an intermediate average N loss = 26 kgN/ha/y from Rule 11 database, cf 14 for other drystock and 49 for dairy.
- Dairy support is a variable mix of blocks owned or leased by dairy farmers, plus contract grazing, all of which contributes to benchmarking and allocation complexity
- A drystock sector average will be much harder (impossible?) for dairy support
- No consensus on dairy support’s status as a sector, therefore analysis should continue for now with it identified separately, as it can be “blended” with drystock later if needed.
- Deer and fodder are not a separate sectors

## Re-cap on Allocation advice development

Sarah and Lisa are writing a draft allocation policy. This will incorporate Council work to date, feedback from StAG, the ongoing Motu work and expert panel assessment on future low N loss rates. Key dates / steps are:

- A. Run early draft allocation paper past StAG subcommittee before 18 June
- B. 18 June StAG: Discuss draft allocation paper (circulated 11 June with agenda)
- C. 2 July StAG subcommittee: further improve draft
- D. 16 July StAG: Advise on StAG’s preferred allocation options. This would need to be finalised by late July for agenda purposes, for:
- E. 6 August BOPRC’s Strategy Policy and Planning Committee: staff advice to Council incorporating StAG’s advice (which may or may not be aligned in different areas)

## StAG Chairman’s report to Rotorua Te Arawa Lakes Strategy Group, 7 June

There was an option of adding this within the regular Lakes Programme update from Warwick Murray (written mainly by Anna). It was agreed that to maintain StAG’s semi-independent status, this should remain a standalone report.

**Action:** Simon to urgently draft a report for Stuart’s consideration [Done – see RTALSG agenda]

## Setting an agenda for 18 June

As noted above, this agenda must address both allocation and incentives. Discussion:

- The deadline for integrated advice is very challenging – is it realistic? Open discussion on this is needed at StAG.
- The draft allocation report, Anna’s incentive’s paper and other work will need to be pre-circulated and carefully read by all StAG members before the 18 June meeting.

**Action:** The covering agenda email must emphasise importance of pre-reading

**Action:** Warren to draft up a straw-man draft “flat rate” incentive approach to assist debate on its merits

- Support for using a BOPRC facilitator from the environmental education team. This would assist Chairman Stuart in running the meeting and allow Stuart to speak more freely.

**Action:** Simon to liaise with Kerry Gosling on facilitation assistance

Finally, Simon noted that the Lake Rotorua streams N & P trends report by Paul Scholes has been peer reviewed by David Hamilton and is expected to be tabled via the 20 June OMR committee meeting.