

# **StAG POSITION PAPER - Rules and Incentives**

**StAG Meeting – 13<sup>th</sup> August 2013**

Draft

## Introduction

The consideration of Nitrogen allocations policy has been on the StAG agenda since November 2012. A BoPRC staff paper presented 18<sup>th</sup> June 2013 scoped a proposal whereby rural property owners would be obliged to meet 100% of the pastoral N reductions required to meet the 435tN sustainable load to Lake Rotorua by 2032.

An alternative proposal from the Lake Rotorua Primary Producers Collective (“the Collective”), was presented to StAG on the 16<sup>th</sup> July 2013, and forms the framework around which this current StAG Position Paper has been developed.

A subsequent StAG Subcommittee meeting on the 30<sup>th</sup> July fleshed-out the specifics of this StAG Position Paper.

## Objective of this paper

This paper presents the StAG preferred option for nitrogen discharge allocations and nitrogen reductions policy for the Lake Rotorua catchment through to 2032.

An Incentives Programme is proposed to support approx.100tN of required catchment reductions. However, consideration of the implementation and design of Incentives Programme specifics is a subsequent process, and will be the subject of a separate StAG discussion paper.

## Wider Support for Implementation

Managing the impact of nitrogen losses on water quality is a challenging issue of national interest, especially following the National Policy Statement for Freshwater Management. Given the large number of different parties working to address problems in this area, it is vital to ensure alignment with other work as much as possible. This will ensure that the Bay of Plenty Regional Council (the Regional Council) and the Rotorua Te Arawa Lakes Strategy Group are able to leverage the efforts of other organisations (eg. DairyNZ, AgResearch, Fonterra, Federated Farmers) in addressing water quality issues, and to get the best results for ratepayer investment.

The Stakeholder Advisory Group (StAG) proposal represents a collaborative solution to deliver both improved water quality outcomes and a viable rural sector. This approach has the potential to significantly improve the likelihood for success through a much wider community support, whilst also reducing the costs to the Regional Council.

There are three key factors that underpin the StAG proposal: First, the preferred approach provides a level of business security which will support co-investment with farmers in innovative mitigation strategies and effective technological advancements in the catchment.

Second, implementation will attract significant industry investment. For example, DairyNZ has already agreed in principle to contribute funding towards the development of farm planning and analytical services to support farmers in meeting their individual nitrogen management obligations. There is also the potential for private sector investment in innovative catchment-wide nitrogen mitigations.

Third, a collaborative solution will enable the Regional Council to notify a policy that attracts supportive submissions and evidence from industry groups, rather than opposition. This may reduce the risk of subsequent appeals in the Environment Court.

StAG recognises the diversity of land use and tenure in the Lake Rotorua catchment, and acknowledges that landowners and farmers are at various levels of investment and development on their land. The StAG intent is to develop a fair and equitable approach that also recognises those landowners not covered by Industry Support.

It is the StAG's view that this proposal will have a higher prospect of meeting the farming community's expectations, whilst also gaining wider Rotorua community support. Endorsement for the proposal is critical for its effective implementation.

## Pastoral Nitrogen Allocation – StAG ‘Preferred Option’

This preferred option is based on the Lake Rotorua Primary Producers Collective (“the Collective”) proposal titled the “Draft Alternative Lake Rotorua Catchment Nitrogen Policy, 11<sup>th</sup> July” which was presented to the StAG on 16<sup>th</sup> July, 2013. The Collective’s proposal was accepted by StAG at that meeting as a framework around which a StAG Position paper could be developed. Additional provisions which support increased farmer accountability have been included in this document to address concerns expressed by some StAG members at the 16<sup>th</sup> July meeting.

The Regional Policy Statement (the RPS) requires a catchment reduction to a 435t sustainable nitrogen limit for Lake Rotorua by 2032. The pastoral component is 256tN - a 270tN reduction from the current load. The RPS further requires that 70% of the catchment target is to be achieved by 2022.

### Summary Table

<b>Programme</b>	<b>tN</b>	<b>Accountability</b>
1. Rules Programme	140tN	<ul style="list-style-type: none"><li>- Farmer accountability, obligatory by 2032</li><li>- Staged reductions via Nutrient Reduction Plans (NRPs), mandated through resource consents</li><li>- NRPs implemented for individual farmers by 2015</li><li>- Resource consents applied for by 2017</li></ul>
2. Incentives Programme	100tN	<ul style="list-style-type: none"><li>- BoPRC accountability, to be achieved through the proposed Incentives Programme</li></ul>
3. Gorse Re-vegetation Programme	30tN	<ul style="list-style-type: none"><li>- BoPRC accountability, with gorse mitigation to be achieved by 2022 through a targeted programme using separate funding</li></ul>

## Programmes

It is proposed that the 270tN pastoral reduction target is met by three programmes:

### 1. Rules Programme (140tN).

An obligatory farmer commitment for 2032. There are three components to this approach:

- a. **Nitrogen Discharge Allowance targets:** The preferred allocation option is “sector allocation”, with some modification. The overall allocation proposed is based on sector averages of 35 kg N/ha for the dairy sector and 13 kg N/ha for the drystock sector<sup>1</sup>. Within sector adjustments may be made provided that the aggregate for each sector is not exceeded. These adjustments may be in recognition of considerations such as geophysical or farm system characteristics, taking into account the constraints faced by different farms and applying a principle of equal effort towards the catchment target.
- b. **Approved Nutrient Reduction Plans (NRPs)** will be required for every farm (minimum area yet to be determined) by **1<sup>st</sup> December 2015**. NRPs will require managed reductions in nitrogen losses through to 2032. This will ensure that action towards the catchment load is undertaken as soon as possible.
- c. Application for **Nitrogen Discharge Resource Consents** will be required from every farm by **1<sup>st</sup> December 2017**. Resource consents will ensure implementation of actions under NRPs and give the Regional Council a basis for monitoring and compliance.

2. **Incentives Programme (100tN).** The Collective’s paper had proposed \$12.4m funding be available to assist land owners to meet the required reductions of the Rules Programme. The remainder of incentives funding (\$33.1m) will be utilised to achieve a 100tN reduction below levels required by rules. StAG needs to decide on 13<sup>th</sup> August whether to endorse this approach. Incentives progress will be monitored and reported quarterly in accordance with Council’s reporting requirements.

3. **Gorse Re-vegetation Programme (30tN).** StAG proposes a separate gorse conversion project, with funding distinct from the incentives programme.

## Monitoring and Review

4. There will be multiple approaches to monitoring and review of the proposed framework:
  - a. Progress in the Gorse Re-vegetation and Incentives Programmes reported against Key Performance Indicators on a quarterly basis, with full financial reports completely six-monthly
  - b. Regular reporting on farmer progress against NRPs. Five-yearly reviews from 2017 are suggested.
  - c. Regular review of water quality science underpinning the policy approach (including the appropriateness of the overall catchment target). Five-yearly reviews from 2017 are suggested.
  - d. Five-yearly “efficiency and effectiveness” reviews required under the RMA
  - e. Ten-yearly reviews of the RPS and Regional Plan required under the RMA

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### <sup>1</sup> Sector Definition

For the purpose of establishing ‘framework principles’ a two-sector allocation is adopted which aligns with the ROTAN database (2011). One sector is 5,050ha of dairy; the other sector is termed ‘drystock’, but is in fact a 16,125ha aggregate of drystock and lifestyle, which also embraces a wide diversity of land type and use, including forage cropping, horticulture, dairy support, beef & lamb finishing, deer, mixed species, & extensive sheep farming.

It is important to note that optimal sector definition has yet to be considered by StAG. Such consideration is a necessary prerequisite to establishing NDA allocations.

Two issues are of particular concern:

- a. In which sector should dairy support be positioned; or should this be a separate sector?
- b. Allocation to ‘drystock’ and ‘lifestyle’ which acknowledges the wide diversity of geophysical differences and specific land use.