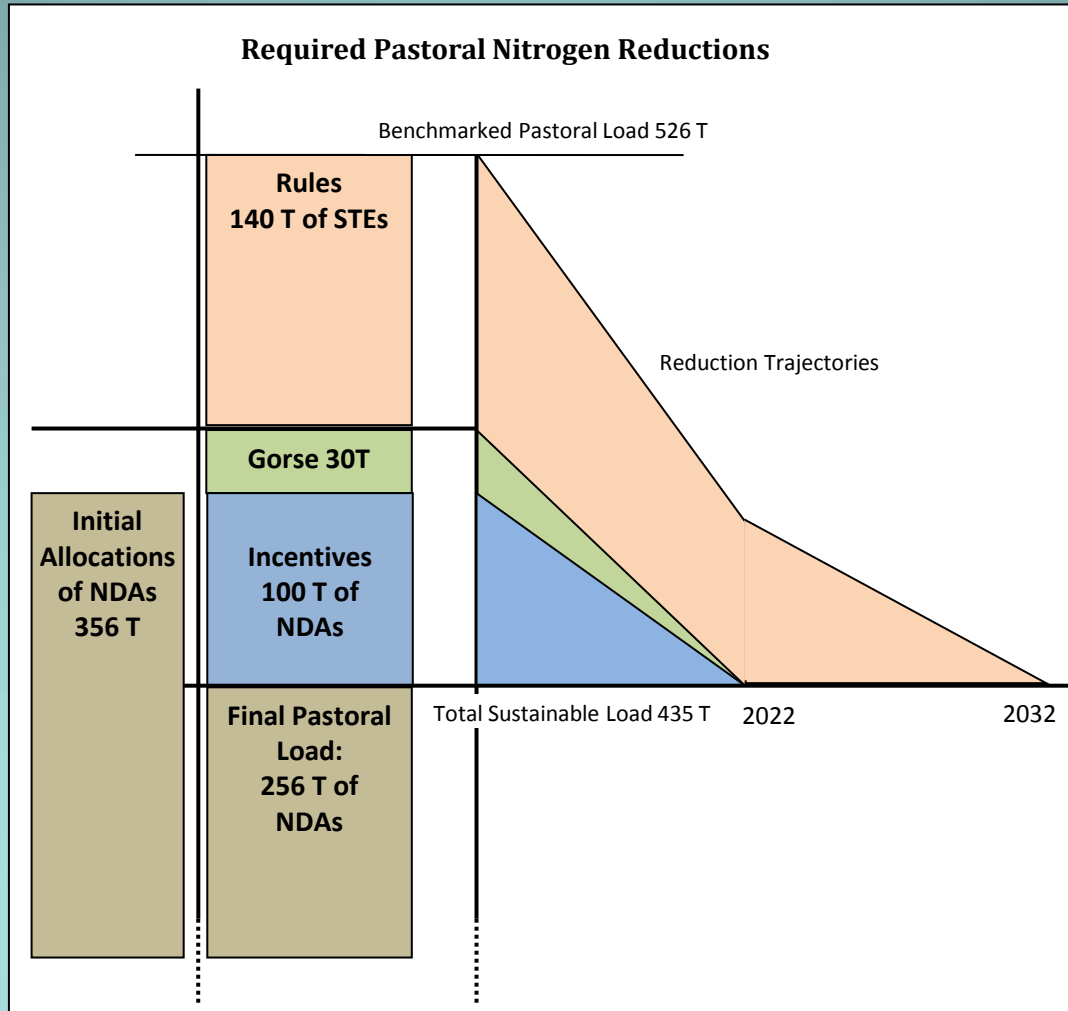


Nutrient Trading in the Lake Rotorua Catchment

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Objectives



Recommendations: 1

A general “free market” scheme for trade in long-term NDAs should not be implemented at this stage because:

- There is no urgent need for marginal trading in NDAs due to the slow ramp down in above the line entitlements to 2032;
- In the period to 2022, private bulk trades in NDAs resulting from major farm system change could undermine the Incentives Scheme efforts to acquire 100 tonnes of NDAs from existing allocations;
- Systems for trading long term rights need to be robust and stable. Central government is currently developing thinking around how a national statutory framework could provide this certainty. This should be resolved before 2022 and a national framework would reduce the costs of both providing for trading at the regional level, and of individual trades.

Recommendations: 2

An open transfer system for long-term NDAs should be enabled once the 2022 reduction targets have been achieved.

- If this policy is adopted, it should be publicly notified as soon as possible.

Recommendations: 3

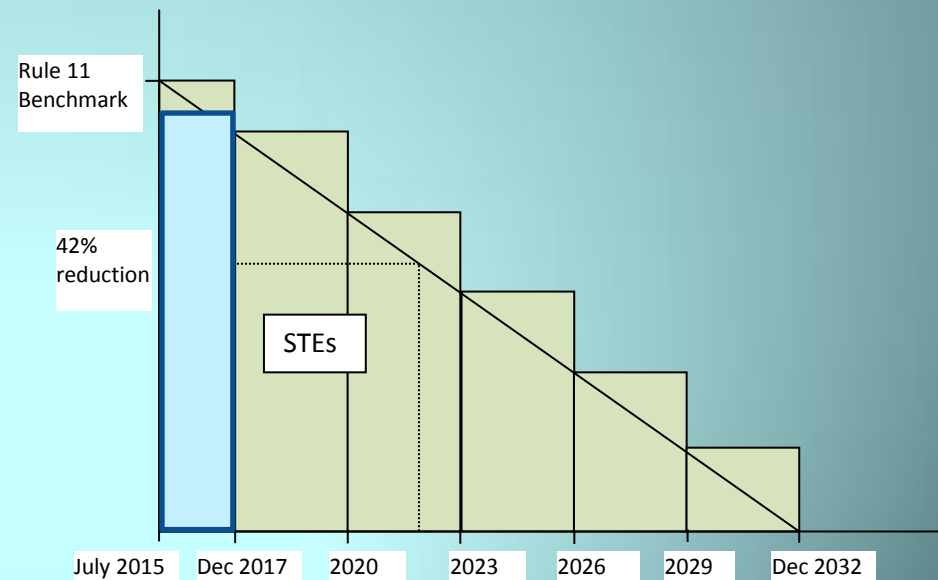
Above-the-line short term entitlements (STEs) should be formalised on consents with stepped 3 yearly reductions defined through dated expiry of blocks of entitlements, and transfers between consent holders allowed.

Step down and allocation of STEs could be based on:

- Steps defined by a ramp from the **original property baseline benchmark** through the 2022 target, and down to zero at 2032; and

EITHER

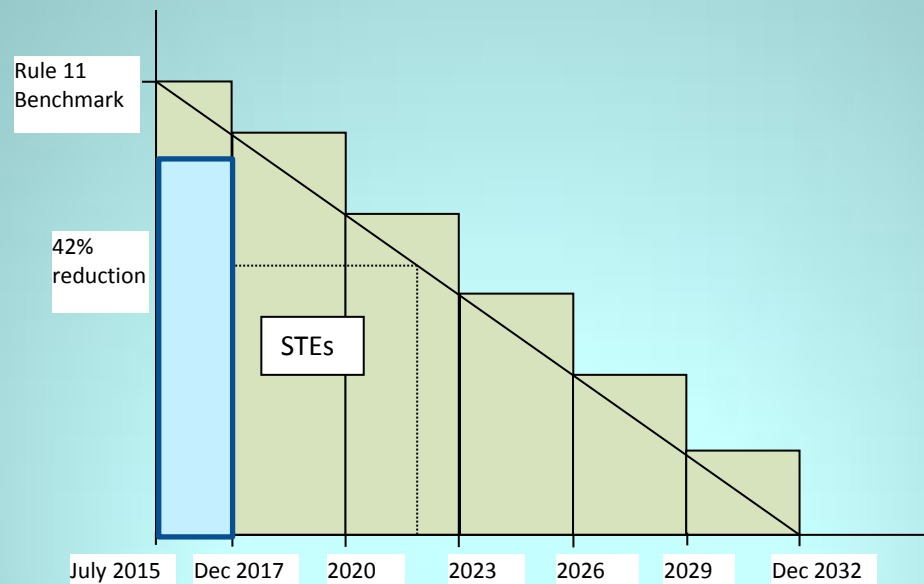
Allocation based on the most recent assessment of discharges from the property or the original – whichever is the lowest; and Transfers should not be allowed of first 3 year block, so that those who have already lowered their discharges before the system commences are not disadvantaged;



Recommendations: 3

OR

- Allocation based on the overall percentage reduction in discharges achieved for the catchment from the 2004 benchmarks to the latest assessment, applied to each property's original baseline; and
- Transfers allowed from the start of the scheme.



Recommendations: 4

Transfers of STEs:

- Low cost transfer and consent change methods should be defined with minimal requirements to provide evidence of changed practice or ability to meet the changed constraints, backed by significant consequences for not doing so;
- Powers should be provided to request more information for any proposals for transfer considered to be high risk;
- In addition to enabling bilateral transfer of STEs at any time, a proposal for a regular mediated transfer event based on the clearing house model should be developed. This could be run annually or at the three yearly points of reductions in entitlements depending on demand. Demand should be assessed during the first few years of the scheme.

Recommendations: 5

Investment should be made in development of practical tools to support planning for farm system change to low nitrogen discharge land uses. Such tools should provide for financial cash-flow analysis of a range of potential activities independently and in combination, such as dry-stock, dairy goats, plantation forestry, forestry co-products such as high value fungi, and manuka planting for honey production.

Recommendations: 6

Capability should be established, potentially through the Incentives Entity, to disseminate practical information and economic analysis on alternative farm systems, to target owners with land best suited for conversion, and to assist interested farmers to develop farm plans for conversions to low nitrogen discharge land uses.

Discussion

