

Minutes for Lake Rotorua Catchment Stakeholder Advisory Group, 17 March 2015 (Allocation Workshop)

Rotorua Lakes Council – Committee Rooms

1061 Haupapa Street, Rotorua, 9:00 am start

Chair: Clr Karen Hunt

Members Present:

- Collective: Tony Cairns, Joanna Carr, Neil Heather, Stuart Morrison and Giselle Schweizer
- LWQS: Don Atkinson and Warren Webber
- RDC: Cr Karen Hunt
- TALT: Roku Mihinui
- Te Arawa Landowners: Clinton Hemana
- BOPRC: Cr Neil Oppatt
- Deer: Sharon Love
- Small Blocks: Alison Bentley and Murray Pierce

Others Present:

Don Love (deer farmer); Gwyn Morgan (Federated Farmers); Ollie Parsons (Dairy NZ); Ben O'Brien (B&LNZ); BOPRC Staff: Sandra Barns, Stephen Lamb, Alastair MacCormick; Christina Walker (Fulbright Scholar Researcher); Simon Park (StAG Secretariat); Gloria Zamora.

Workshop Summary

The purpose of the StAG nitrogen allocation workshop was to get StAG advice on its preferences for 2032 NDA property allocations and nitrogen trading. These issues have been discussed previously but StAG has never formally identified its preferences.

To aid StAG, the economic impacts of contrasting NDA allocation systems were presented as a series of charts with a range of farm systems and geophysical attributes. The economic impacts were complemented by a series of NDA ranges showing the different distributional impacts relative to farms' "Rule 11" N loss levels.

The meeting concluded with a series of votes to identify StAG's preferences:

ALLOCATION:

Two dual pastoral sector range options were preferred, being "Allo 1" and "Allo 16-32 & 39-52". The majority preference was shown for Allo 16-32 & 39-52

TRADING:

Trading of NDA between farmers was supported

Action Summary:

1. Stephen Lamb: Report to next StAG on starting points for non-benchmarked properties
2. Simon Park: Put ToR for science review on next StAG agenda
3. Stephen Lamb: Clarify OSET policy on septic tanks and interaction with draft nitrogen rules, including the status of “house blocks” within Rule 11 benchmarks.

Item 1: Welcome, Karakia, Introductions and Apologies

Interim Chairman Karen Hunt welcomed StAG members and attendees to the meeting and Clinton Hemana opened with a karakia.

Apologies for absence: Warwick Murray, Angela Sharples, Te Taru White, John Fenwick, Kit Richards, Colin Maunder, Don Hammond, Tanira Kingi

Apologies for lateness: Ben O’Brien

Item 2: Minutes of previous meeting (16 February 2015) including Actions

Action Deferred to next meeting: regarding starting point options for non-benchmarked properties – now an action for Stephen Lamb.

Motion: 16 February 2015 Minutes approved. Hunt/Atkinson CARRIED

Item 3: General business items to add

- a) Don Atkinson: Update on Transferable Development Rights (TDRs)
- b) Clarification of septic tanks
 - i) Are house blocks with septic tanks affected by OSET?
- c) Clarification on voting in today’s meeting
 - ii) Voting will only be used to serve as a basis for recommendations.
- d) Collective: The starting points for nitrogen reductions has been discussed but not minuted – this was discussed immediately:

Stephen Lamb confirmed that for benchmarked properties the starting point for nitrogen reductions will be the properties Rule 11 nitrogen benchmark. StAG and BOPRC still need to resolve how non-benchmarked properties will be treated at the start. This will be discussed at the April StAG meeting

ALL PRESENTATIONS FROM MEETING MAYBE FOUND [HERE](#)

Item 4: Allocation

a) Overview- Stephen Lamb

- i) Recommendations sought from StAG on:
 - Nitrogen allocation
 - Relevant ranges
 - Nitrogen trading
- ii) Revisit on background (see Stephen’s presentation)

- RPS sets the basis for reductions to 435 tN/year
- The Integrated Framework gives a “high-level” split on responsibility for N reductions, with 140 tN/yr expected from pastoral land via rules
- The N reduction needed from pastoral land remains the same even though the numbers in OVERSEER® change
- A logical way to consider alternative allocation options is to start with the “incumbent position” which, in Overseer 5 numbers, is:
 - **Sector averages with ranges**
 - Based on Rule 11 benchmarking
 - *Drystock 10-20 kgN/ha/y*
 - *Dairy 30-40 kgN/ha/y*
 - *All farms reduce from N benchmark by 25% subject to above limits*
 - *This delivers a 140 tN/yr reduction (using early 2014 data)*

iii) **StAG discussion** on incumbent allocation option

- Dairy support seems to be hit hard by the 20 kgN/ha/yr limit
- The top end of dairy is too high while dairy farmers with low benchmarks have already mitigated and it is not equitable to expect more
- Attenuation still needs to be defined.
- Need to use the more familiar Overseer version 5 numbers in discussion.
- Farmers would like reductions taken before Rule 11 to be considered in new rules i.e. native bush where reductions do not have an economic return
- Fed farmers support incumbent position with effective pasture hectares as the starting point.
- Farmer stated his farm is currently at 38 kgN/yr and it will cost \$1000/ha to go any lower per annum.
- If Overseer version changes have a significant adverse on an “outlier” then Council could consider adapting.
- Small block/deer farmer representatives stated their need to understand more as they feel they are new to these conversations. The analysis does not include sectors that cover nearly 2000 small block holders but is focused on the costs and benefits for a few.
- It was agreed to remember that StAG represents the community and personal gains/losses are not part of the conversation.

<p>StAG recommendation: to proceed with discussions relative to the incumbent position: sector average with ranges.</p>
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b) Economic Modelling of Allocation Options - Oliver Parsons

- i) Need to keep in mind there is no straightforward solution which will cure the prevailing issue. There are 3 main purposes of modelling
 - Overall economic impact on the catchment
 - Understanding the feasibility of the integrated framework
 - Understanding the relative impacts of different allocations
- ii) **Key points of modelling** (see presentation – note Overseer 6.1.3 used)
 - Sheep and dairy undertakes significant conversion in the model
 - No intensification from present levels occurs, no conversion to dairy
 - Farms only make minor marginal purchases of N (compared to the incentives scheme) in all scenarios except natural capital and averaging.
 - Some allocation options look relatively similar at the sector level, but are very different across different farm system types
 - Sector averaging has significant cost implications at the farm system level
 - Range scenarios have the lowest level of disruption and N redistribution
 - Ranges are sensitive to the difference between a 50 Vs 46 kgN/ha cap
 - N reduction in higher rainfall areas is a “cheaper” but such reductions will never drop as low as those in low rainfall areas
 - Two key metrics used
 - Amount of money spent/earned from trading NDAs = an indication of N distribution. Most results given with trading at 50% “efficiency”
 - % Change in profit = an indication of N mitigation effort
- ii) **Discussion/Questions**
 - Is it possible with range allocation to have a specific/different range for each soil type?
 - At this point it is quite complicated as we are doing ranges before finalizing requirements of FNP’s.
 - Most higher leaching farms are farms with podzol soils
 - Can you change the soil type?
 - No, soil type is largely determined by rainfall.
 - Podzol is the best “productive” soil in catchment.
 - Results are based on a long-term average where everyone should be farming in 2032 and after incentives fund has purchased 140 tN
 - The 2032 price of N is \$441/kgN. The N price will change over time but the model doesn’t show this as it is “static” i.e. everything happens at once
 - Cheaper to buy N for \$441/kgN than mitigate on-farm @ \$1000k/kgN.
- iii) **Discussion on differences across allocation options** (4 slides)
 - There is less disruption to the status quo in the range allocations
 - Section 32 report will address the social impacts on farming.
 - Loss in property value is not taken into account.

- Leasing out N will appeal to some farmers i.e. make a profit on the lease but keep “spare” NDA on the farm balance sheet.
- Q: Is the increased profitability on “recent soils” a windfall?
 - Need to check why that occurs - it doesn’t affect many hectares.
- Deer farmers/small block reps noted time/effort spent on analysing and discussing impacts on dairy (relative to drystock/lifestyle) is disproportionate

c) Range of ranges - Simon Park

- i) Presentation to further inform StAG on range options so StAG can recommend a preferred range option. Ranges can be compared with the “incumbent range”.

Assumptions include:

- All ranges sum to 580tN over ~22,000 ha of land in pastoral use 2001-2004
- All ranges achieve a 200 tN reduction from 780 tN (pastoral land only)
- 200 tN in Overseer 6.1.3 corresponds to 140 tN reduction in Overseer 5.4

ii) Discussion

- Council assured StAG that ultimately the decision would be Council’s and would be communicated as such in the media. Once recommendations are made staff will do a property overlay on the chosen allocation methods.
- StAG members expressed concern at the complexity of information presented and the limited time to absorb and make recommendations
- Acknowledgement that time was pressing and StAG should aim to give as much direction as possible, despite complex and incomplete information

iii) StAG preferences by majority vote show of hands:

- Dual sector vs. single sector vote. Dual sector received 9 out of 14 votes.
- Allo 1 received 10 out of 14 votes
- Allo (16-32 drystock & 39-52 dairy) received 11 out of 14 votes

StAG recommendation: to proceed with Allo 1 and Allo (16-32 & 39-52) with latter being the preferred nitrogen allocation option.

Item 5: Trading discussion – Sandra Barns

- a) There was insufficient time to have Sandra’s presentation and follow-up discussion on N trading. However, there had been some trading-related discussion in the main allocation session. Therefore an indication was still sought on StAG’s view of N trading between farmers:

StAG recommendation: Trading was supported by 11 out of 14 votes.

Item 6: General Business

- a) Science Review: Farmers have requested a ToR for the 2017 science review. To be added to the next agenda.
- b) Septic Tank Clarification: Farmers would like clarification if and how septic tanks are affected by OSET and the new N rules.

ACTION: Stephen Lamb to look in OSET policy if septic tanks are affected by OSET.

- c) Transferable Development Rights: Don Atkinson noted that:
 - i) TDRs still have a useful role in the overall policy package
 - ii) The difficulties around setting a qualifying N reduction amount (per TDR) and limited market demand should not prevent us from establishing a scheme – we need all the potential tools in the toolbox
 - iii) StAG should be able to give a supportive recommendation despite some uncertainties around the TDR scheme design.

Meeting Close: 3:15pm
