

# Short term entitlements



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# Recommendations from Connor (draft)

- Define “above the line” and allocate to properties for stepped reductions
- Provide for trading STEs from start of scheme
- Enable long term trading from 2022 (or when the incentives target achieved)



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# Trading and targets

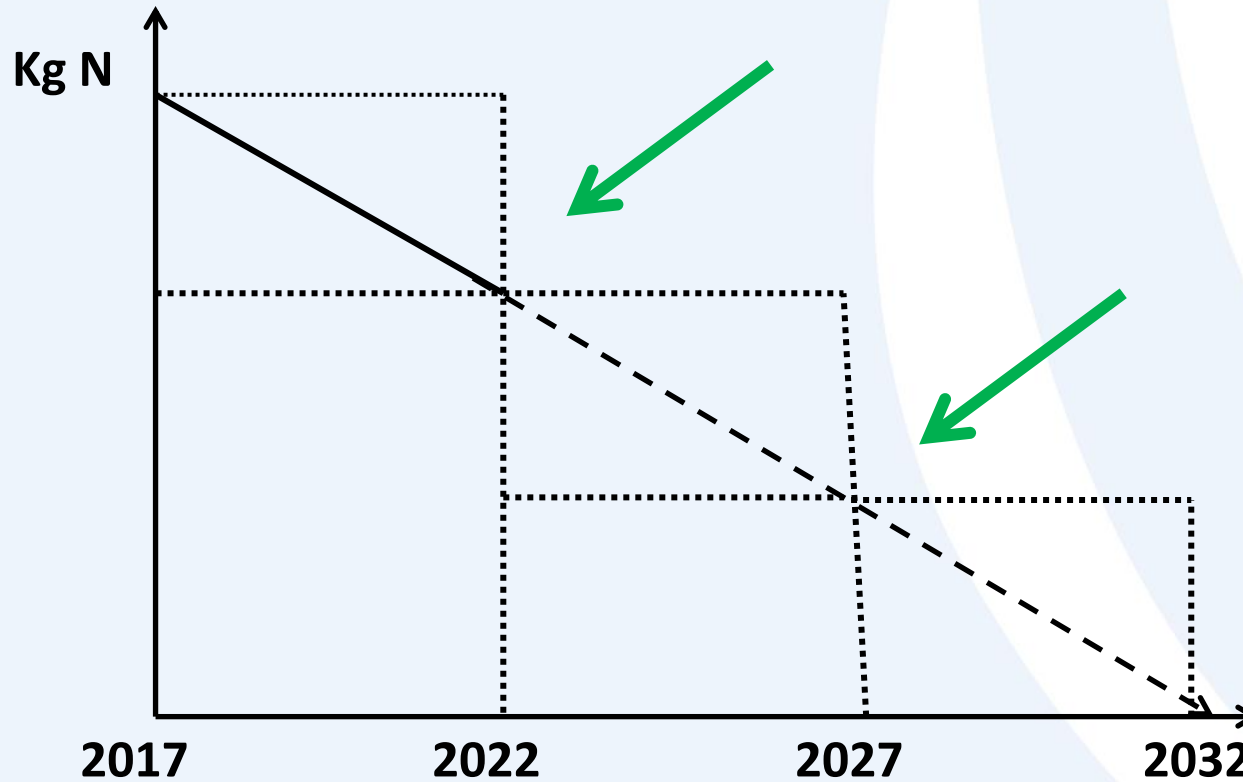
- RPS target 70% reduction
  - Requires certainty in reductions
- Farm plans – five year time horizon
  - Actions determined by farmer
  - Can be revised
- Requires hard targets (aligns with 5 year steps in NMPs)



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# Hard targets



# Allocation : Option 1

- 100,000 shares (for example)
- 2017: 140 tonnes in Short term entitlements
  - Shares equal 1.4kg each
- 2022: 96 tonnes in STEs
  - Shares equal 0.96 kg each
- 2027: 48 tonnes in STEs
  - Shares equal 0.48kg each
- 2032: NIL, shares have no value.



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# Allocation: Option 2

- Similar to option 1, but with absolute numbers
  - Would reduce in the same way as Option 1
  - Lacks the automatic changes in Option 1
  - Additions costs for changes in consents

# Allocation: Option 3

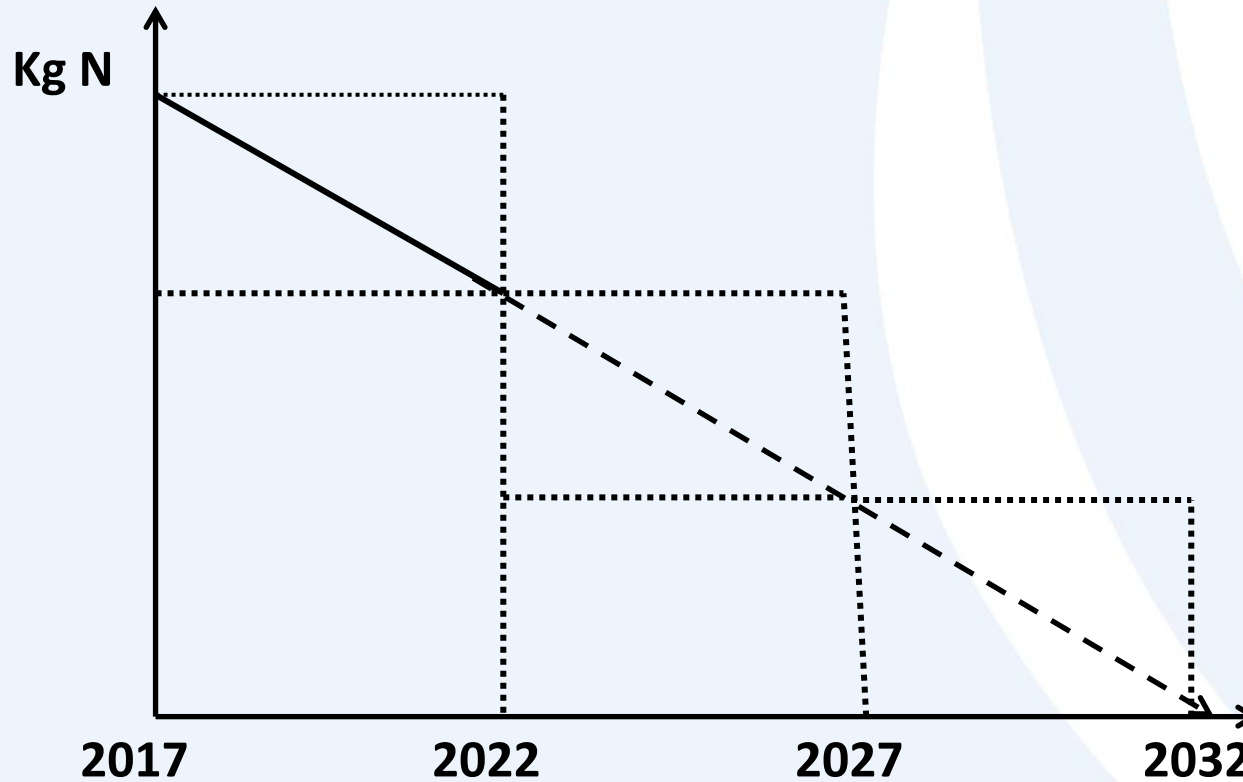
- Three different blocks of STEs issued
  - Block 1 expiring in 2022 (44 tonnes)
  - Block 2 expiring in 2027 (48 tonnes)
  - Block 3 expiring in 2032 (48 tonnes)
- May be easier to understand than other options
- Administratively complex – three types of STE requiring tracking
- No consent charges for step down



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# Hard targets





# Summary

- Hard targets and defined rights needed
- This is difficult given OVERSEER changes, managed reduction flexibility – flexibility would need to be reduced significantly
- Regional Council staff remain concerned about complexity and cost