



Lake Rotorua  
Incentives Scheme  
Policy  
*July 2014*

## Introduction

An incentives scheme for nitrogen reduction is an integral part of the programme for achieving the nutrient reduction targets for Lake Rotorua. The integrated framework adopted by Council recognises that incentives are a key part of the cost sharing between farmers and the community. The incentives scheme will encourage land use change to reduce nitrogen loss, and will help achieve the sustainable limit of nitrogen discharge to the lake.

The Proposed Regional Policy Statement (RPS) requires that the total amount of nitrogen entering Lake Rotorua shall not exceed 435 tonnes per annum. The best available information indicates that the total pastoral load to the lake must be reduced by approximately 270 tonnes of nitrogen per year. The Rules, Gorse Conversion Programme and Incentives Framework are the means to achieve this reduction.

## Rules and Incentives Framework

The Rotorua Te Arawa Lakes Strategy Group (RTALSG) and the Stakeholders Advisory Group (StAG) have developed a framework for achieving the 270 tonne nitrogen reduction (see Table 1). The Regional Council accepted the framework on 17 September 2013. This framework splits the 270 tonnes into three areas of responsibility:

- 💧 The Rules Programme: Pastoral farmers will reduce by 140 tonnes the amount of nitrogen entering the lake by 2032 by meeting a nitrogen discharge allowance (NDA) allocated to each property or farming enterprise
- 💧 The Incentives Scheme: The Lake Rotorua Incentives Board will reduce by 100 tonnes the amount of nitrogen entering the lake by purchasing rights to discharge nitrogen (NDA)
- 💧 The Gorse Programme: The Regional Council will reduce by 30 tonnes the amount of nitrogen entering the lake through gorse removal.

The Rotorua Te Arawa Lakes Strategy Group endorsed this framework on the 27<sup>th</sup> September 2013.

## Rules Programme

Under the Rules Programme, the landowners are responsible for achieving a total reduction of 140 tonnes of nitrogen across the catchment. NDAs will be allocated to all properties in the catchment requiring a resource consent. NDAs are likely to be based on sector averaging and ranges within those averages. Individual allocation will relate to 2001-2004 land use. The method of allocation is yet to be confirmed. Landowners will have until 2032 to reach their NDA.

Each farm will be required to have a Nitrogen Management Plan in place by 2015. This plan will set out a practical pathway for nitrogen reductions that will achieve the NDA by 2032. The Nitrogen Management Plan will become a consent condition in resource consents issued for each farm by 2017. Rules in the Regional Water and Land Plan (RWLP) will provide the regulatory framework for this programme.

## Incentives Scheme

The Incentives Scheme is an integral part of the programme for achieving the nitrogen reduction targets for Lake Rotorua, and a key part of the cost sharing between farmers and the community. The Incentives Scheme will purchase 100 tonnes per annum of permanent reductions in nitrogen entering the lake. These reductions are in addition to those required of landowners under the Rules

Programme. The Crown and the Regional Council have contributed equally to the \$40 million incentives fund. The timeframe for achieving the reductions required is 2022.

### Gorse Programme

The gorse programme consists of separate funding to remove 30 tonnes of nitrogen through conversion of gorse to other land use.

Table 1: Summary of programmes and timeframes

<b>Rules Programme – 140 tonne reduction</b>		
By 2015	Farm Nutrient Plans	Plans will be put in place for every farm, setting out a practical pathway of staged nitrogen reductions.
By 2017	Resource consents	Farms will be consented, with a Farm Nutrient Plan as a consent condition.
By 2032	Nitrogen Discharge Allowances	Average of 35 kgN/ha/yr for dairy and 13 kgN/ha/yr for drystock, with adjustments made for geophysical and farm system characteristics.
<i>\$5.5m available to support meeting the requirements of the rules and to engage with the incentives fund.</i>		
<b>Incentives Programme – 100 tonne reduction</b>		
By 2022	Incentives fund	\$40m “below the line” to remove 100 tonnes of nitrogen.
<b>Gorse Programme – 30 tonne reduction</b>		
By 2022	Gorse fund	Separate funding to remove 30 tonnes of nitrogen from gorse.

Note: The values used are based on OVERSEER 5.4 for pastoral land uses and are post-attenuation values, and are “tonnes of Nitrogen/year”.

# Incentives Scheme Policy

## 1. Objective

The objective of the Incentives Scheme is to permanently reduce the level of nitrogen entering Lake Rotorua by 100 tonnes per year by purchasing rights to discharge nitrogen below the level established by Nitrogen Discharge Allowances (NDA) for properties or the catchment.<sup>1</sup>

## 2. Scope

This policy applies to the management and distribution of incentives funding for proposals to reduce nitrogen discharges into Lake Rotorua.

The policy does not cover the rules programme, the gorse programme, or the allocation of other funding for farmer assistance and research.<sup>2</sup> These elements of the integrated framework will be addressed separately.

## 3. Policy Approach

The Lake Rotorua Incentives Scheme will be:

1. Open and transparent: Providing easily accessible information about proposal assessment and decision making.

 Reason – Consistent with good practice where public money is being provided to private landowners.

2. Available to all: Open to all landowners who are affected by nitrogen reduction rules.

 Reason – Ensuring that all affected landowners are eligible to apply for funding regardless of other factors (e.g. income). Competition may be encouraged with market-based mechanisms.

3. Well governed: Providing a clear governance structure and accountability.

 Reason – The public must have confidence that decisions are made without bias, by parties with no financial interest in the outcome.

4. Efficiently administered: Using existing systems and resources where possible.

 Reason – Ensuring administration costs are minimised to maximise funding for nitrogen discharge reductions.

### 3.1 Responsive to Opportunities

Remaining open to opportunities and flexible to changing situations will be a key challenge for the Incentives Scheme. The Scheme has a long timeframe, and innovation, advances in technology and changing policies may provide new opportunities.

### 3.2 Due Diligence

Any proposal and agreement to use Incentives Scheme funding will be subject to due diligence that is commensurate with the value of the agreement, knowledge of the action and the strength of underpinning science/information. For proposals of greater value, where the action is innovative or

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<sup>1</sup> Objective amended by Regional Council, 25 June 2015

<sup>2</sup> The Crown and the Regional Council have contributed \$5.5m for assisting farmers to achieve their NDA and for research and trials.

non-standard, or where the underpinning science and information is less certain a higher level of due diligence will be required. The outcome of a due diligence process will be for the decision-makers to be satisfied that a permanent reduction in nitrogen is being secured.

### 3.3 Co-benefits and consequences

The aim of the Incentives Scheme is to secure permanent reductions in nitrogen leaching. Within proposals there may be other benefits and consequences and while these will be assessed they are not a primary consideration of the Incentives Scheme.

## 4. Principles of Funding

The principles give guidance about assessing proposals for funding. The key determining factor will always be the value that they represent towards achieving the nitrogen reduction objective.

1. Nitrogen reduction proposals must demonstrate the ability to achieve reductions below the NDA level for properties, or for the catchment.
2. Nitrogen reductions must be permanent.
  - 💧 Reason – To achieve the policy objective and contribute to the long-term solution for the lake, all nitrogen reductions must be permanent with agreements in perpetuity. Solving the water quality issue for Lake Rotorua needs to be done on a permanent basis.
3. Nitrogen reduction actions must be certain.
  - 💧 Reason – Proposed actions must have a high degree of certainty about achieving the expected reductions. Where uncertainty exists, it will be factored into agreements.
4. Nitrogen reductions representing value for money will be preferred.
  - 💧 Reason – The Incentives Scheme has a challenging target and limited funds. On the basis of negotiation, the best price for nitrogen will help to ensure the objective is achieved.
5. Larger nitrogen reductions will be preferred.
  - 💧 Reason – Nitrogen reductions must be large enough to justify the transaction costs.

## 5. Conditions of Funding

Conditions applying to proposals for incentives scheme funding:

1. Evidence that reductions are certain, quantifiable and measurable will be required.
  - 💧 Reason – Quantitative evidence will be required to establish that the reductions have occurred or will occur as a result of the action that is being funded e.g. Overseer®
2. All agreements will include legal mechanisms to ensure permanent nitrogen reductions.
  - 💧 Reason – legal mechanisms (such as caveats or contracts) are required to enforce an action or to address a breach of condition, ensuring achievement of the nitrogen reduction
3. The property rights to reach agreement on permanent nitrogen reductions must be clear and unambiguous.
  - 💧 Reason – Secure rights are key to providing an effective means of reaching and maintaining the nitrogen reduction target.
4. Funding recipients and/or their service providers, will be contracted and paid funding when work is completed or at agreed milestones.

- 💧 Reason – Provides certainty to all parties that the funding will be distributed, and that it is being used for the intended purpose.
- 5. All limits, targets, NDAs, and modelling versions will be identified and set at the time of agreements being made and if required any process for adjusting or amending will be specified.
- 💧 Reason – Certainty is required by all parties that the required nitrogen reductions will not change for the duration of the agreement – or if there is a need to amend part of the agreement that the process for this is clear.
- 6. Monitoring responsibilities and obligations, and links to resource consents will be clear for all parties.
- 7. Landowners must be compliant with Regional Water and Land Plan Rules.

## 6. Policy Review

This policy may be reviewed at three-year intervals or as a result of the on-going process of research and implementation experience.