



# **Lake Rotorua Incentives Scheme Policy**

*2024 Review*

## 1.0 Introduction

The Lake Rotorua Incentives Scheme has been operating since 2015 and is an integral part of the Integrated Framework for achieving the sustainable load of 435 tonnes of nitrogen to Lake Rotorua.

The Integrated Framework recognises that the Incentives Scheme is a key part of the cost sharing between farmers and the community and is designed to encourage land use change to reduce nitrogen loss. The Crown and the Regional Council have contributed equally to the \$40 million Incentives Scheme.

The Incentives Scheme is tasked with permanently removing 100 tonnes of nitrogen per annum entering the lake, not later than 2032, in order to achieve the objectives of the Bay of Plenty Regional Policy Statement. These reductions are in addition to those required of landowners under Lake Rotorua Nutrient Rules.

### 1.1 OverseerFM Model

OverseerFM incorporates a set of science models that work together to estimate nutrient flows through a farm system. It measures nitrogen loss at the root zone and is the tool that underpins the Integrated Framework, including the Incentives Scheme.

In December 2018 the Parliamentary Commissioner for the Environment published a report on the use of OverseerFM in regulation which recommended that a panel be established to undertake a comprehensive technical review of OverseerFM. The Review Report was published in July 2021 and concluded that, because of deficiencies in the models, OverseerFM can only provide a coarse understanding of a farm's nutrient losses.

Notwithstanding the limitations identified by the panel, it remains that OverseerFM is underpinned by empirical science that demonstrates that land use change achieves nutrient reductions. The report suggests that OverseerFM performs better in soils with high infiltration rates, such as the deep volcanic soils found in the Lake Rotorua Catchment.

Continuing land use change is critical to achieving the 435 tN/yr sustainable lake load for Lake Rotorua and local stakeholders have indicated that they wish to see continued progress on land use change and are supportive of the continued use of OverseerFM.

### 1.2 Lake Rotorua Science Review 2022

In accordance with Method LR M2 of the Lake Rotorua Nutrient Rules (LRNR), a 5-yearly [Science Review](#) was completed in 2023. The independent reviewer, Dr Warwick Vincent, commented that the Science Review was undertaken to a very high standard and resulted in a set of high-quality reports that provided a robust 5-year assessment of the Lake Rotorua Nutrient Rules and the wider

Integrated Framework. The review noted that the nitrogen load to land reduced by 221 tonnes, from 982 tonnes to 761 tonnes, between 2017 and 2022. The Incentives Scheme accounted for some 35 tonnes of this reduction.

## **2.0 Incentives Scheme Policy**

### **2.1 Objective**

The objective of the Lake Rotorua Incentives Scheme is to permanently reduce nitrogen entering Lake Rotorua by 100 t/yr by purchasing rights to discharge nitrogen below the 2032 Nitrogen Discharge Allocation (NDA) for individual properties.

### **2.2 Scope**

This policy applies to the management and distribution of Lake Rotorua Incentives Scheme funds.

### **2.3 Policy Approach**

The Lake Rotorua Incentives Scheme will be:

(a) Open and transparent

- The Incentives Scheme will provide easily accessible information about proposal assessment and decision making.
- This approach is consistent with good practice where public money is being provided to private landowners.

(b) Available to all

- The Incentives Scheme will be open to all landowners who are affected by the LRNR.
- This ensures that all affected landowners are eligible to apply for funding regardless of other factors (e.g. income).

(c) Well governed

- The Incentives Scheme will have a clear governance structure and accountability.
- This will ensure that the public has confidence that decisions are made without bias, by parties with no financial interest in the outcome.

(d) Efficiently administered

- The Incentives Scheme will use existing systems and resources where possible.
- This will ensure that administration costs are minimised to maximise funding for Incentives Agreements.

## **2.4 Opportunities and Challenges**

The Incentives Scheme has a long timeframe and innovation, advances in technology as well as changing policies may provide new opportunities or present new challenges.

The Incentives Scheme will be responsive to opportunities and flexible to changing situations.

## **2.5 Due Diligence**

All Incentives Agreements 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 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.

## **2.6 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.

## **2.8 Principles of Funding**

These principles provide guidance about assessing proposals for funding.

### **(a) Use of OverseerFM**

- OverseerFM will continue to be used to model nitrogen reductions associated with Incentives Agreements, but the key determining factor will be the value that the proposal represents towards achieving permanent land use change.

### **(b) Security**

- Nitrogen reductions secured by land use change must be permanent and an encumbrance will be registered on the property's title/s for a period of 999 years.
- Flexibility for future farm system changes will be provided through a linked Nutrient Management Plan which can be varied, provided that the nitrogen reduction actions in the proposed system change are commensurate with the existing land use change.

(c) Nitrogen reduction actions must be as certain as possible

- There must be as much certainty as possible that the proposed actions will achieve the expected reductions, giving regard to the circumstance existing at the time.
- Where uncertainty exists, it will be factored into pricing negotiations.

(d) Pricing

- The price paid per kilogram of in-lake nitrogen will not exceed \$400 and will be based on the Assessment Matrix in Appendix 1.
- Nevertheless it is acknowledged that every case will be different and will require a measured judgement call within the parameters of this policy.

## **2.9 Conditions of Funding**

The following conditions will apply to proposals for Incentives Scheme funding:

(a) Evidence that nitrogen reduction actions are certain will be required

- Nitrogen reduction actions must be tangible so that a qualitative approach can be applied to negotiations.

(b) All agreements will include legal mechanisms to ensure permanent reductions

- Large scale reductions will be secured using a legally binding Agreement and Deed.
- Smaller reductions will be secured under a Short Form Agreement to reduce transaction costs.

(c) The property rights to reach agreement on permanent land use change must be clear and unambiguous.

- Secure rights are key to providing an effective means of reaching and maintaining the in-lake target.

(d) Funding recipients and/or their service providers, will be contracted and paid funding when work is completed or at agreed milestones.

- This will provide certainty to all parties that the funding will be distributed, and that it is being used for the intended purpose.

- (e) All limits, targets and nitrogen reduction actions will be identified and set at the time that agreements are made and if required any process for adjusting or amending will be specified.
- This will provide certainty for 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.
- (f) Monitoring responsibilities and obligations, and links to resource consents will be clear for all parties.
- (g) Landowners must be compliant with Regional Water and Land Plan Rules.

### **3.0 Policy Review**

The policy will be reviewed at no less than three-yearly intervals, or as a result of new research or implementation experience to ensure that it remains fit-for-purpose.

**Appendix 1**  
**Assessment Matrix**

<b>Criterion</b>	<b>High Value (up to \$400/kg in-lake N)</b>	<b>Medium Value (up to \$375/kg in-lake N)</b>	<b>Low Value (up to \$350/kg in-lake N)</b>
<b>Level of security</b>	Land use change to trees; Land use change completed; and/or Benefits of land use change well understood.	Land use change well established	Land use change not yet made and/or Land use change where benefits not clearly establish eg new land uses with unproven science.
<b>Reduction</b>	>60% reduction from NDA	60% reduction or less from NDA	50% reduction or less from NDA
<b>Co-benefits</b>	Quantifiable and certain co-benefits for Rotorua in at least two areas eg cultural, biodiversity, economic, social. Reduces phosphorus loss.	Maintains status quo phosphorus loss and/or Quantifiable and certain co-benefits for Rotorua in at least two areas eg cultural, biodiversity, economic, social.	No identifiable co-benefits and/or Maintains status quo phosphorus loss
<b>Unintended consequences</b>	No unintended consequences.	Minor identifiable un-intended consequences eg social, cultural.	Nitrogen transfer to another groundwater catchment and/or Evident identifiable un-intended consequences eg social, cultural
<b>Outcome of Due Diligence Process</b>	All aspects of the due-diligence process fulfilled. High degree of trust and confidence identified through the due-diligence process.	All aspects of the due-diligence process fulfilled.	All aspects of the due-diligence process fulfilled.