

**LAKE ROTORUA
STAKEHOLDER
ADVISORY GROUP (StAG)
POSITION PAPER
- Allocation Rules and
Incentives**

**For BoP Regional Council Meeting
– 17 September 2013**

Introduction

The development of a Nitrogen allocation policy has been a key function of the Lake Rotorua Stakeholder Advisory Group (StAG) since November 2012. A Bay of Plenty Regional Council (the “Regional Council”) staff paper, presented to StAG on 18 June 2013, scoped a proposal that would result in rural property owners obligated to meet 100% of the pastoral N reduction required to meet the 435tN sustainable load to Lake Rotorua by 2032.

An alternative proposal from the Lake Rotorua Primary Producers Collective (“the Collective”), was presented to StAG on 16 July 2013, and forms the framework around which this current StAG Position Paper has been developed.

Subsequent StAG Subcommittee meetings on 30 July and 13 August, developed the specific detail of this StAG Position Paper.

Objective of this paper

This paper presents the StAG preferred option for Nitrogen Discharge Allocations (“NDAs”) and nitrogen reductions policy for the Lake Rotorua catchment through to 2032.

An Incentives Programme is proposed to support approximately 100tN of catchment reductions. However, consideration of the implementation and design of the Incentives Programme is a subsequent process, and will be the subject of a separate StAG discussion paper.

Wider Support for Implementation

Managing the impact of nitrogen losses on water quality is a challenging issue of national interest, especially following the National Policy Statement for Freshwater Management. Given the large number of different parties working to address problems in this area, it is vital to ensure alignment with other work as much as possible. This will ensure that the Regional Council and the Rotorua Te Arawa Lakes Strategy Group are able to leverage the efforts of other organisations (eg. DairyNZ, AgResearch,

Fonterra, Federated Farmers and others) in addressing water quality issues, and to get the best results for ratepayer investment.

This StAG proposal represents a collaborative solution to deliver both improved water quality outcomes and a viable rural sector and is therefore the 'preferred approach'. This proposal has the potential to significantly improve the likelihood of success (i.e. achieving the community's water quality expectation) through much wider community support, whilst also reducing costs to the Regional Council.

There are three key factors that underpin the StAG proposal as the preferred approach: First, this approach provides a level of business security which will support co-investment with farmers in innovative mitigation strategies and effective technological advancements in the catchment.

Second, implementation of the preferred approach is likely to attract significant industry investment. For example, DairyNZ and B+LNZ have already agreed in principle to contribute funding towards the development of farm planning and analytical services to support farmers in developing Farm Nutrient Plans to meet their individual nitrogen reduction obligations. There is also the potential for private sector investment in innovative catchment-wide nitrogen mitigations.

Third, a collaborative solution will enable the Regional Council to notify a policy that attracts supportive submissions and evidence from industry groups, rather than opposition. This should reduce the risk of subsequent Environment Court appeals.

StAG recognises the diversity of land use and tenure in the Lake Rotorua catchment, and acknowledges that landowners and farmers are at various levels of investment and development on their land. The StAG intent is to develop a fair and equitable approach that also recognises those landowners not covered by industry support.

It is the StAG's view that this proposal will have a higher prospect of meeting the farming community's expectations, whilst also gaining wider Rotorua community support. Endorsement for the proposal is critical for its effective implementation.

Pastoral Nitrogen Allocation – StAG ‘Preferred Option’

This preferred option is based on the Lake Rotorua Primary Producers Collective (“the Collective”) proposal titled the “Draft Alternative Lake Rotorua Catchment Nitrogen Policy, 11 July” which was presented to the StAG on 16 July, 2013. The Collective’s proposal was accepted by StAG at that meeting as a framework around which a StAG Position paper could be developed.

The Regional Policy Statement (the “RPS”) requires a catchment reduction to a 435t sustainable nitrogen limit for Lake Rotorua by 2032. The pastoral component is 256tN - a 270tN reduction from the current load. The RPS further requires that 70% of the catchment target is to be achieved by 2022.

Summary Table

Programme	tN	Actions and Accountability
1. Rules Programme	140tN	<ul style="list-style-type: none"> - Approved Farm Nutrient Plans (FNPs) - which will include specific plans for N reduction - implemented for individual farmers over 40ha in size by 01 December 2015 - Staged reductions via Farm Nutrient Plans (FNPs) mandated through Resource Consents - Individual farmer resource consents applied for by 01 December 2017 - Farmer accountability, obligatory by 01 December 2032
2. Incentives Programme	100tN	<ul style="list-style-type: none"> - Regional Council accountability, to be achieved by 01 December 2022 through the proposed Incentives Programme
3. Gorse Re-vegetation Programme	30tN	<ul style="list-style-type: none"> - Regional Council responsibility through a catchment gorse elimination programme to be achieved, in collaboration with farmers and landowners, by 01 December 2022 using separate funding

Programmes

It is proposed that the 270tN pastoral reduction target is met through three programmes:

1. Rules Programme (140tN).

An obligatory farmer commitment by 01 December 2032. There are three components to this programme:

- a. **Nitrogen Discharge Allowance (NDA) targets:** The preferred allocation option is a modified “sector allocation” approach. The overall allocation proposed is based on sector averages of 35 kg N/ha for the dairy sector (milking platform) and 13 kg N/ha for the drystock sector¹ (effective area). These sector averages are subject to confirmation by StAG. Within sector adjustments may also be made provided that the aggregate for each sector is not exceeded. These adjustments may be in recognition of considerations such as geophysical (i.e. rainfall and soil type) or farm system characteristics, taking into account the constraints faced by different farms and applying a principle of equitable effort towards achieving the catchment target.
- b. **Approved Farm Nutrient Plans (FNP)** will be required by **01 December 2015** for every farm over 40ha in size. FNPs will require managed reductions in nitrogen losses through to 01 December 2032. This will ensure that action towards the catchment load is undertaken as soon as possible.
- c. Application for **Nitrogen Discharge Resource Consents** will be required from every farm with a FNP by **01 December 2017**. Resource consents will ensure implementation of relevant actions and give the Regional Council a basis for monitoring and compliance.

2. **Incentives Programme (100tN).** Consultancy input suggests that the proposed NDA targets will require greater N reductions than could be expected from the adoption of industry best practice; for this reason partial funding is proposed to assist land owners to meet the required reductions of the Rules Programme. The Collective’s paper had proposed \$12.4m funding to be available for this purpose; at the 13 August StAG meeting, it was agreed that \$5.5m be appropriated. The remainder of the incentives funding (\$40.0m) is

proposed to be utilised to achieve a 100tN reduction below levels required by the Rules Programme. If this funding is shown to be lower or higher than that required to achieve the intended outcome, then the relative appropriation of funding may be revised in 2017 prior to both the 5-year programme review and finalisation of farmer consents. Incentives Programme progress will be monitored and reported quarterly in accordance with Regional Council reporting requirements.

3. **Gorse Re-vegetation Programme (30tN).** StAG proposes a separate gorse conversion project, with separate funding from the Incentives Programme.

Monitoring and Review

4. There will be a tiered approach to monitoring and review of the proposed framework:
 - a. Regular reporting on farmer/landowner progress against Farm Nutrient Plan targets. Reviews are proposed in 2017 and five-yearly thereafter.
 - b. Regular reporting on the Incentives Programme, reported against agreed targets on a yet to be determined progress schedule.
 - c. Reporting of progress towards Gorse Re-vegetation targets reported against targets on a quarterly basis, with full financial reports completed six-monthly.
 - d. Regular reviews of relevant science (including land and water) underpinning the policy approach (including the appropriateness of the overall catchment target). Reviews are proposed in 2017 and five-yearly thereafter.
 - e. Five-yearly “efficiency and effectiveness” reviews as required under the Resource Management Act (the “RMA”).
 - f. Ten-yearly reviews of the RPS and Regional Plan as required under the RMA.

¹ Sector Definition

For the purpose of establishing ‘framework principles’ a two-sector allocation is adopted which aligns with the ROTAN database (2011). One sector is 5,050ha of dairy; the other sector is termed ‘drystock’, but is in fact a 16,125ha aggregate of drystock and lifestyle, which also embraces a wide diversity of land type and use, including forage cropping, horticulture, dairy support, beef & lamb finishing, deer, mixed species, & extensive sheep farming.

It is important to note that optimal sector definition has yet to be considered by StAG. Such consideration is a necessary prerequisite to establishing NDA allocations.

Two issues are of particular concern:

- a. In which sector should dairy support be positioned; or should this be a separate sector?
- b. Allocation to ‘drystock’ and ‘lifestyle’ which acknowledges the wide diversity of geophysical differences and specific land use.