

Chair
Cabinet Environment, Energy and Climate Committee

Aligning land-based sector work programmes

Proposal

1. New Zealand's land-based sectors comprise a significant proportion of our economy. Our land use is also at the heart of environmental issues such as water quality, climate change and biodiversity.
2. The Government's commitments across climate, water, forestry, the regions and economic development will have significant implications for the land-based sectors. Our commitments are underpinned by a goal of achieving a just transition to a high-value, low environmental impact economy in which the sustainable use of our natural resources generates benefits for all New Zealanders.
3. This paper makes the connections between our key commitments, sets out major milestones we will achieve in our first term of government, and presents our goals for the future of the land-based sectors.
4. This paper should be read in conjunction with the '*Restoring our freshwater and waterways*' paper. This paper focuses on the land-based sectors, which includes traditional uses like agriculture, horticulture, cropping, and forestry, but also other uses like carbon storage, mānuka honey production, commercial recreation, tourism and ecological services. The paper '*The 100 Day Plan for Climate Change*' considered by Cabinet on 18 December 2017 (CAB-17-Min-0547.01 refers) is also relevant. This paper also links to our recently agreed framework for climate change policy (CAB-MIN-0218 and ENV-MIN-0011 refer).

Our Goals

5. In establishing our goals for the land-based sectors, and the work programmes and initiatives needed to make those goals a reality, we propose that the Government **acknowledges and affirms**:
- the critical role and contribution of the land-based sectors to New Zealand's current and future prosperity, and importance of these sectors to addressing global challenges like food supply, biodiversity loss and climate change
 - the increasing variability of climate, driven by climate change, which affects the land-based sectors
 - the imperative to ensure land-based businesses are sustainable, resilient, adaptive and market-led
 - the challenges facing landowners to improve, adapt and apply new technologies, and the stress this can place on individuals, their families and rural communities
 - the necessity therefore of supporting land-owners and people who work on the land to transition
 - the importance of on-going flexibility in land use, recognising that this must be aligned with landowners facing the true costs, and in particular the costs to the environment, of their decisions
 - the critical role regulation can play, particularly where external costs are not, or cannot be, applied to businesses through prices
 - that considerable work has been done by the land-based sectors, councils, iwi, and central government to address environmental impacts, but that many of the most difficult problems have not yet been resolved, and that there is now a need for government leadership
 - that Māori land has, for several reasons, been under-developed compared to other land, and that we need to:
 - recognise the potential of further developing Māori land an incorporating Te Ao Māori into land-based businesses
 - provide for the equitable development opportunities for Māori land, in line with the owners' aspirations
 - that a just transition is needed to achieve sustainable land use, which the Government will support fairly and effectively
 - that New Zealand's technological expertise can be utilised and developed so as to maximise the economic opportunities born of new technologies and higher value land uses
 - that while alteration of the environment through human and economic activity is unavoidable, aggregate or cumulative effects need to be sustainable across generations, and
 - that no one has an intrinsic right to pollute.

Our goals for the land-based sectors:

6. We propose the following goals for the land-based sectors:
 - *New Zealand becomes the world leader in the provision of high value, sustainable primary products and services, so that New Zealand's land-based enterprises:*
 - *are profitable, resilient, confident and innovative*
 - *benefit commercially from New Zealand's increasingly strong credentials as environmentally responsible and sustainable*
 - *play a critical and respected role as part of our overall effort to create high-value primary sector exports*
 - *move quickly to stop further degradation to New Zealand's environment and productive capacity*
 - *are increasingly helping to reverse the damage previously done to New Zealand's environment and steadily reducing their contribution to climate change; and*
 - *are socially responsible and remain able to support strong, resilient and prosperous rural communities.*

What we are doing – our commitments

7. The following section briefly outlines a suite of initiatives and commitments we have made across supporting sustainable value growth, climate change, freshwater, and afforestation. It sets out how these will work together to achieve our goals for the land-based sectors.

Supporting value growth and a fair transition to sustainable land use

8. The primary sector is facing major challenges, including pressures around climate change impacts, community and consumer expectations regarding sustainability, and the prospect of innovations such as synthetic proteins disrupting markets.

9. The Ministry for Primary Industries (MPI) is supporting the Government's sustainable growth agenda through a suite of measures to lift the environmental and economic performance of New Zealand's primary industries. These initiatives (some of which are subject to budget decisions) include:
- a Primary Sector Council to provide vision and leadership across the primary industries and a unified voice to government and the public, and including a committee on Māori agribusiness
 - improved market information and intelligence, drawing on innovative data analytics, to enable producers and processors to better evaluate and respond to international consumer expectations and market activity
 - measures to benchmark and demonstrate high performance environmental sustainability, water management and other agricultural best practice
 - farm systems change extension projects to assist the dairy industry transition to more environmentally sustainable high value production
 - reviewing the regulatory settings for dairy markets, and exploring how they can contribute to the government's broader objectives for the dairy industry
 - optimising Free Trade Agreement settings
 - increasing support for sustainability and innovation in farming through investment and extension, including exploring comprehensive farm planning; and
 - establishing a new Māori agribusiness fund to support Māori agribusiness projects.
10. New Zealand is in an enviable position to capitalise on our reputation as a trusted food producing nation. We want to proactively support the land-based sectors to extract commercial benefits from excellence in environmental performance. For example, the Minister of Agriculture is working on a proposal for a government-backed assurance programme so that overseas consumers can be confident in the environmental credentials of products, allowing New Zealand producers to secure premiums in high-value markets.
11. Successful and innovative businesses need to attract good people and equip them with the skills and leadership qualities they need. Working with the sector, education providers and academia, we will develop a range of initiatives to achieve this, including (subject to budget decisions) developing a 'pathway for success' model so youth and young adults can see the potential for professional and personal achievement through careers in the land-based sectors. Given Māori are a growing proportion of the workforce, and many Māori live in the regions, it will be important to consider how these pathways can be effective for Māori youth.

12. Successful and innovative businesses need to attract good people and equip them with the skills and leadership qualities they need. Working with the sector, education providers and academia, we will develop a range of initiatives to achieve this, including (subject to budget decisions) developing a 'pathway for success' model so youth and young adults can see the potential for professional and personal achievement through careers in the land-based sectors. Given Māori are a growing proportion of the workforce, and many Māori live in the regions, it will be important to consider how these pathways can be effective for Māori youth.
13. We expect that our support for sustainable value growth will drive:
 - transition towards sustainable agriculture that is valued by markets
 - increased value for primary industry products
 - investment in resilient rural communities; and
 - greater accountability of producers to their customers.

Addressing climate change

14. We have committed to taking decisive action on climate change, and to transitioning to an economy with net zero emissions. We need to act now to ensure we have resilient systems in place to both mitigate emissions and adapt to the effects of climate change in New Zealand. The sooner we act, the more time and choices we will have for the transition, and fewer sunk costs are likely to occur in investments that do not aid the transition.
15. The land-based sectors are a major component of the economy, and a major source both of our emissions and of carbon sequestration. They will be at the forefront of achieving a net zero emissions economy. Taking bolder action on climate change will require innovative investment decisions, policy intervention, social adjustment, and economic transformation.
16. The journey to move from volume to value will extend beyond existing product lines. Future technologies (such as methane inhibitors) and other available management techniques could reduce biological emissions from ruminant agriculture. Automation, robotics, sensors, position systems, new cultivars and new growing techniques will lead to land use change into higher value produce and crops.
17. It is critical therefore to ensure the climate change policies we develop fit alongside, and are consistent with, other policy objectives, and support the delivery of our broader economic transition.
18. By October 2018 the Government will introduce a Zero Carbon Bill that will define a target for reducing greenhouse gas emissions by 2050 and establish an independent Climate Change Commission to keep this, and future, governments on track to meet this target.

19. While we consult on the draft Bill, we have set up an interim Climate Change Committee to prepare evidence and analysis on priority matters to be provided to the Climate Change Commission when it is established. An early task will be progressing work on the role of agriculture in climate change policy. We have already committed to the Climate Change Commission determining if, and when, agriculture is to be included in the Emissions Trading Scheme (ETS). If included, the free allocation to agriculture is to be 95% of emissions, with all revenues from this source recycled back into agriculture in order to encourage agricultural innovation, mitigation and additional planting of forestry.
20. In respect of the land-based sectors, our climate change work is likely to drive:
 - improved resilience to the impacts of a changing climate
 - internalisation (to producers) of more of the true costs of production
 - more plant-based production and increased conversion from pastoral agriculture
 - retiring/tree planting of marginal pastoral and other land
 - more investment in research and innovation, especially in abatement of agricultural emissions; and
 - renewable energy opportunities.

Restoring our freshwater and waterways

21. We plan to: halt further degradation of our freshwater and waterways as soon as possible; achieve higher standards of water quality so that within a generation we have reversed the damage that has been done. We want to make degraded rivers and lakes swimmable once again.
22. Achieving this ambition will require significant change across the land-based and urban sectors, improving management practices, moving to lower impact land uses in some areas, and retiring some land from livestock production, especially around waterways and erosion-prone land. The redeployment of capital will be needed to support sustainability, efficiency and value – rather than volume growth. The sectors are making some moves in this direction, but progress is uneven and the scope and pace of change needs to accelerate.
23. We will be consulting on a package of measures to halt degradation in the near-term. This will likely include measures to: halt further intensification where it adversely affects the environment; stop high-risk land management practices; and to require feedlot systems to have high environmental performance (e.g. low nutrient leaching).
24. By late 2018 we want to be consulting the public on a range of measures or policies for possible inclusion in a new, more comprehensive National Policy Statement. This will likely include new bottom lines and attributes including sediment and dissolved oxygen, and potentially additional national direction on ecological values, allocation policies, and implementation.

25. The most effective way we can halt degradation is when land users prioritise and integrate their efforts across catchments. Regional councils will play a vital role in facilitating such approaches.
26. Improving management to achieve water quality outcomes can be closely aligned to climate change and afforestation objectives. For example, one of the most effective ways to reduce sedimentation and *E.coli* contamination can be the conversion of erosion-prone marginal pastoral lands into forests. Our climate change and afforestation programmes provide opportunities to leverage government investment in climate and afforestation to achieve freshwater outcomes (acknowledging the impacts of forestry harvesting can have significant impacts on water quality – and that these impacts are managed through the National Policy Statement on Plantation Forestry). This can, and should, include initiatives that operate at the individual farm level.
27. We expect that our freshwater work will drive:
 - new economic opportunities and changes in land use born of new technologies that pursue higher value with lower environmental impact
 - more investment in innovation that improves sustainability
 - retiring/planting erodible land and riparian margins; and
 - more precision agriculture and upskilling of land managers.

Afforestation – a billion trees over 10 years

28. We have committed to working with the forestry industry, Māori land owners, and other key stakeholders to plant one billion trees over the next ten years.
29. Through this work we will: promote sustainable regional economic growth and jobs; provide opportunities for Māori to develop their land and other resources; help New Zealand meet its international climate change commitments and move towards a new emissions target for 2050; support more sustainable use of land, water and other natural resources; enhance biodiversity and ecosystems; and build a more resilient forestry and wood processing industry.
30. The programme will need to be designed well to ensure that it is cost effective, and does not displace existing planting, replanting, or other industry investment. To achieve the one billion trees target we will need to work with private landowners, including Māori landowners, and plant a mix of exotic and indigenous trees for harvesting or for permanent establishment. Some of these trees can be planted on erodible land and riparian margins, and will also improve water quality.

31. A range of different tools will be deployed to drive tree planting, including direct investment by the Crown, facilitation and support programmes, grants and/or loan schemes, and other regulatory or market based incentives such as the ETS.
32. The proposed next steps include (subject in some cases to Budget decisions): Crown Forestry and partners planting up to 20 million trees with private landowners; expanding support for regional councils to control erosion (through the Hill Country Erosion Programme); exploring options to plant indigenous trees on both public conservation land and other land (in partnership with others); and establishing Forestry New Zealand.
33. We anticipate that in 2020 we will plant 80 million trees, and from 2021 more than 100 million a year.
34. We expect that our one billion tree programme will drive:
 - retiring/tree planting marginal pastoral and other land
 - diversified business opportunities, such as tourism, ecosystem services, mānuka honey, and speciality timber production; and
 - rural employment opportunities.

Related work on biodiversity

35. The land-based sectors are also intrinsically linked to achieving the Government's biodiversity commitments. There is significant opportunity for the actions we take across climate, freshwater and forestry sectors to support our goals of restoring New Zealand's indigenous biodiversity, and likewise for our biodiversity work programme to support success of the land-based sectors, for example through the provision of ecosystem services.
36. As Minister for Local Government and Associate Environment Minister, Hon Nanaia Mahuta is leading a work programme to improve how local authorities and central Government finance, manage and regulate provision of stormwater, wastewater and drinking water infrastructure. Housing Minister Twyford is also leading an ambitious Urban Growth Agenda (UGA) as part of our focus on housing affordability and environmentally responsible urban growth. The UGA will better enable and manage land use changes in and around our urban areas, such as with the creation of an urban development authority and consideration of spatial planning.

37. These pieces of work will improve water quality in urban areas and have connections to our work in the land-based sectors. For example, the UGA and freshwater work may identify similar issues with planning, capability and capacity of councils, and lack of economic signals for environmental harm. It may also have implications for the protection of elite soils subject to urban encroachment, which is one of the reasons we recently announced that a National Policy Statement for Versatile Land and High Class Soils will be developed. Similarly three waters work has links to protection of water quality, particularly where council stormwater and wastewater infrastructure is inadequate, and in terms of drinking water for rural communities and towns.
38. While we acknowledge these linkages and that urgent action is needed on urban growth for a number of reasons, this is not the focus of this paper.

How we are going to work

39. Government leadership and action will be vital to achieving our goals for the land-based sectors. The Government is prepared to intervene and make the necessary changes to policy and regulation to achieve these goals.
40. Ultimately, what we propose nationally needs to translate into the day-to-day decisions and actions of landowners and investors. This will require leadership and support from the sector, accurate price signals, and strong market linkages to higher value opportunities.
41. To that end, we will work with the land-based sectors, including consulting with Māori as Treaty partner, to develop a pan-industry vision and strategy, supported by a collaborative implementation plan. We intend to engage frequently and openly with the Primary Sector Council and sector organisations to draw on their experience and knowledge. Sometimes conversations will be hard, and sometimes we will disagree, but we will always be open to engagement.
42. Rural communities are critical to the success of this work. It is important that we acknowledge the positive steps under way in many communities and by the sector. We should also acknowledge the need to work with rural communities to make the changes needed to achieve the government's goals. While rural communities tend to be able to innovate and adapt in times of change, they face a number of longstanding structural issues our policies will need to take into account to ensure a just transition to sustainable land use.
43. We also expect government agencies to align their activities with the goals laid out in this paper across all levels of activity, from national policy and strategy right through to engaging with individual landowners. Agencies' activities will be informed by sector engagement, especially through the Primary Sector Council and the pan-industry vision and strategy.

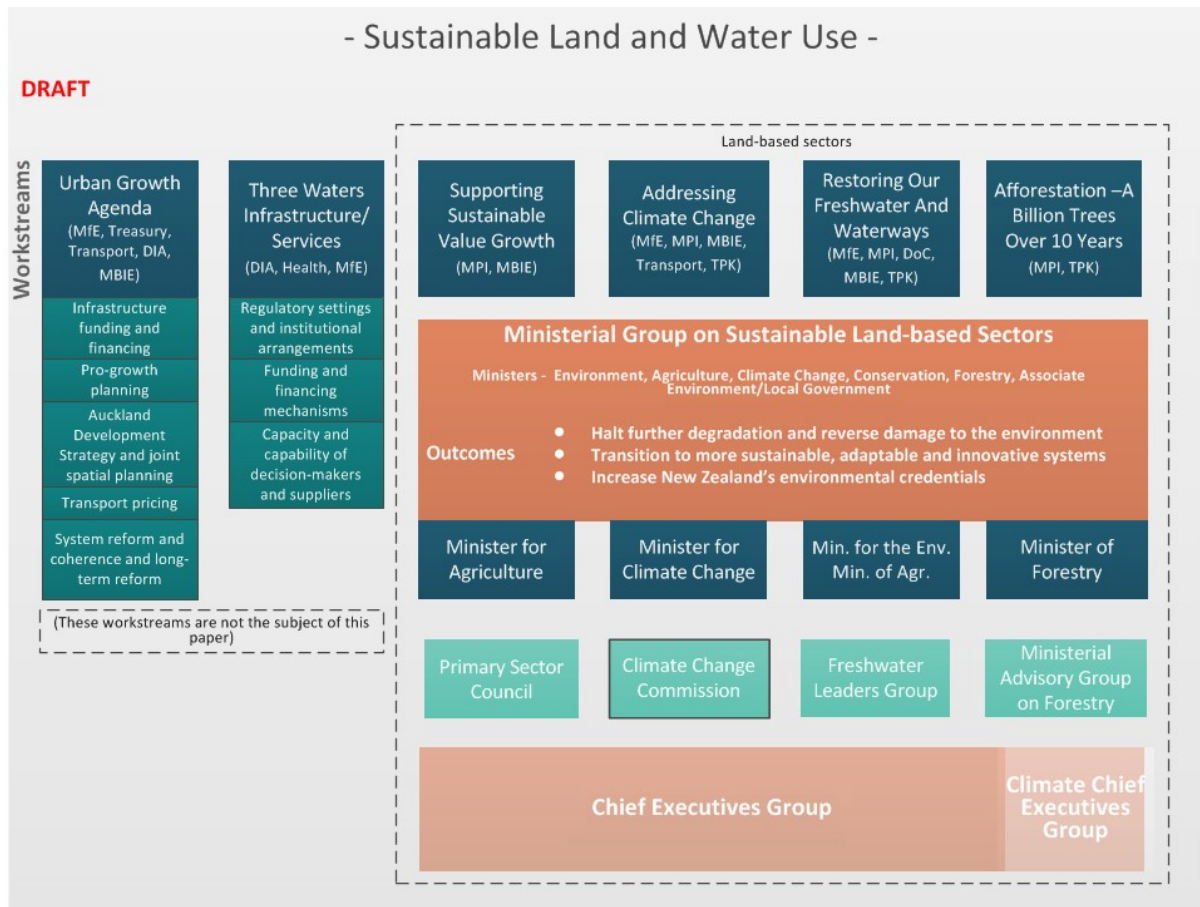
44. There are some resources already in place that can support the transition to sustainable land-based sectors. These include:
- Sustainable Farming Fund
 - Primary Growth Partnership (PGP) – which supports consumer-led, value- add product development, including a focus on environmental performance
 - Afforestation grants, the Erosion Control Funding Programme, and the Hill Country Erosion Programme
 - Freshwater Improvement Fund; and
 - Climate change and water-related research funds, including those targeted at reducing agricultural emissions, adaptation and new water management technologies.
45. We will direct officials to consider the focus, priorities and delivery mechanisms for these funds to ensure they are aligned with each other and the goals laid out above. This will include meeting commitment to review the operations and outcomes of the PGP programme to ensure future government funding delivers sufficient return on investment for the New Zealand economy overall.
46. Implicitly, our goals for the land-based sectors will be fully realised when there is alignment of market signals and true environmental costs through to producers, and this alignment of costs and benefits is supported by clear and consistent government action.

Oversight and leadership

47. We propose two high-level groups to govern, oversee and integrate this work:
- A Ministerial group on sustainable land-based sectors – to provide overall governance and make connections across the Government’s relevant initiatives. This group would be informal, and we are not seeking delegation of decision-making authority from Cabinet. We propose a core group of Ministers comprise the group, with other Ministers invited to attend and/or be consulted where issues affect their portfolios; and
 - A supporting group of Chief Executives - the group’s role would be to ensure the public sector can deliver on this challenging work programme and aligns its activities.
48. The core group of Ministers would comprise the following portfolios: Environment, Agriculture, Crown/Māori Relations, Forestry, Climate Change, Conservation, Local Government and Associate Environment. Diagram 1 illustrates the proposed arrangements.
49. In addition to the Primary Sector Council discussed above, a number of other high-level advisory groups will be established specific to major policy areas. These include a Freshwater Leaders Group, a Ministerial Advisory

Group on Forestry, and the Climate Change Commission.

Diagram 1: Sustainable land use work streams, governance and leadership



Consultation

50. The following Departments have been consulted on this paper: Treasury, Ministry of Business, Innovation and Employment, Department of the Prime Minister and Cabinet, Te Puni Kōkiri, Ministry of Justice, Department of Internal Affairs, Land Information New Zealand, Crown Law Office, Ministry of Health, and Department of Conservation.

Financial implications

51. Policy work will be undertaken within baselines. There are no specific financial implications within this paper, though some of the new initiatives referenced above are linked to budget decisions.

Human rights

52. There are no human rights implications in this paper.

Legislative implications

53. There are no legislative implications arising from the paper.

Regulatory impact analysis

54. There are no regulatory implications of this paper and a regulatory impact analysis has not been prepared.

Gender implications

55. There are no gender implications in this paper.

Disability perspective

56. There are no disability implications in this paper.

Publicity

57. We propose that this paper be proactively released, subject to any necessary redactions. Our offices will jointly develop a communication plan prior to release.

Recommendations

We recommend that Cabinet:

1. **Agree** the goal for the land-based sectors is:
That New Zealand becomes the world leader in the provision of high value, environmentally sustainable primary products and services, so that New Zealand land-based enterprises:
 - *are profitable, resilient, confident and innovative;*
 - *benefit commercially from New Zealand's increasingly strong credentials as environmentally responsible and sustainable;*
 - *play a critical and respected role as part of our overall effort to create high- value primary sector exports;*
 - *move quickly to stop further degradation to New Zealand's environment and productive capacity;*
 - *are increasingly helping to reverse the damage previously done to New Zealand's environment and steadily reducing their contribution to climate change; and*
 - *are socially responsible and remain able to support strong, resilient and prosperous rural communities;*

2. **Agree** that in pursuing the goal outlined in paragraph 1 above, the Government acknowledges and affirms:
 - 2.1 the critical role and contribution of the land-based sectors to New Zealand's current and future prosperity and importance of these sectors to addressing global challenges like food supply, biodiversity loss and climate change;
 - 2.2 the increasing variability of climate, driven by climate change, which affects the land-based sectors;
 - 2.3 the imperative to ensure land-based businesses are sustainable, resilient, adaptive, and market-led;
 - 2.4 the significant cumulative change facing landowners, and the stress this will place on individuals, their families and rural communities;
 - 2.5 the importance of on-going flexibility in land use, recognising that this must be aligned with landowners facing the true costs, and in particular the costs to the environment, of their decisions;
 - 2.6 the critical role regulation can play, particularly where external costs are not, or cannot be, applied to businesses through prices;

- 2.7 that considerable work has been done in some local communities, and by the sector, councils, iwi, and central government to address environmental impacts, but that many of the most difficult problems have not yet been resolved, and that there is now a need for government leadership;
- 2.8 that Māori land has, for several reasons, been under-developed compared to other land, and that we need to:
 - 2.8.1 recognise the potential of further developing Māori land and incorporating Te Ao Māori into land-based businesses;
 - 2.8.2 provide for equitable development opportunities for Māori land, in line with the owners' aspirations;
- 2.9 that a just transition is needed to achieve sustainable land use, which the Government will support fairly and effectively;
- 2.10 that New Zealand's technological expertise can be utilised and developed so as to maximise the economic opportunities born of new technologies and higher value land uses;
- 2.11 that while alteration of the environment through human and economic activity is unavoidable, aggregate or cumulative effects need to be sustainable across generations; and
- 2.12 that no one has an intrinsic right to pollute;
3. **Note** we intend to use the following groups to govern, oversee and align our initiatives on sustainable land-based sectors:
 - 3.1 A Ministerial group – to provide overall governance and make connections across the Government's relevant initiatives; and,
 - 3.2 A supporting group of Chief Executives to ensure the public sector can deliver our ambitious work programme and aligns its activities with our goals for sustainable land use;
4. **Invite** the Minister for the Environment, Minister for Agriculture, Minister of Forestry, Minister for Climate Change, Minister for Māori Development and Minister of Conservation to work with other relevant Ministers to establish the Ministerial group described in paragraph 3.1;

5. **Direct** the Chief Executives of relevant government departments to work to align their relevant activities and priorities to support the goal outlined above, informed over time by the development of the pan-industry vision and strategy for the land-based sectors; and,
6. **Agree** to proactively release the paper, subject to any necessary redactions.

Authorised for lodgement.

Hon Damien O'Connor
Minister of Agriculture

Hon David Parker
Minister for the Environment