

Submission by



to the

Ministry for the Environment

on the

**Action for healthy waterways – A discussion document on national direction
for our essential freshwater**

October 2019

ACTION FOR HEALTHY WATERWAYS – A DISCUSSION DOCUMENT ON NATIONAL DIRECTION FOR OUR ESSENTIAL FRESHWATER SUBMISSION BY EXPORTNZ

1.0 INTRODUCTION

ExportNZ welcomes the opportunity to comment on the Action for Healthy Waterways – A Discussion Document on National Direction for our Essential Freshwater (“the Discussion Document”).

The Government has outlined three objectives on p.8:

1. **Stop further degradation** of New Zealand’s freshwater resources and start making immediate improvements so that water quality is materially improving within five years.
2. **Reverse past damage** to bring New Zealand’s freshwater resources, waterways and ecosystems to a healthy state within a generation.
3. **Address water allocation issues** having regard to all interests including Māori and existing and potential new users.

The package of proposals addresses the first two objectives; the third objective, water allocation, is continuing to be worked on.

ExportNZ supports the government’s goal of improving waterways. It must be acknowledged that over the past 25 years, apart from growing urban and city impacts on water ways, there has been a significant land use change in terms of pastoral farming in favour of dairying. This had led to an increase in the amount of nitrogen leaching into groundwater, and in turn our rivers and lakes, which has measurably degraded our waterways. It is important for industry to improve their practises in order to stop further degradation of our waterways, as well as reverse past damage.

However, ExportNZ does have some fundamental concerns about the proposals in the Freshwater policy package. This submission takes a high-level approach to the following:

1. The impact on particular sectors.
2. The removal of property rights through the restriction of land use.
3. The lack of cost benefit analysis.
4. The approach to consultation.

The impact on sectors.

The impact of the proposed changes outlined in the discussion document, particularly on agriculture, could be significant given the rapid timeframes required in this area.

ExportNZ is concerned that the sweeping approach being taken to address site-specific water quality concerns, does not reflect the complexity of the issues. One size does not fit all.

In Canterbury alone, the number of dairy cattle has increased from 113,000 in 1990, to over 1,300,000 in 2017. This intensification was supported by irrigation development in the region. The irrigation development, which was established with the aid of Government intervention, was justified as being in the national interest by virtue of having significant economic benefits in this region. Arguably, the environmental impacts of such a big land-use change should have been factored in at the time of the development, but since they were not, we submit that a 'just transition' will be required to fix the problem.

The development of large irrigation also created opportunities for new enterprises, such as horticultural operations. The topography, soils and vegetation in Canterbury meant without irrigation these operations would not have been viable.

In order to achieve healthy waterways, industry will need to adjust. Both on-farm mitigation and land-use change will be required for meaningful long-term results. However, change needs to be manageable. Abrupt regulatory change that de-values private sector investment, sends a strong signal about sovereign risk and undermines future investor confidence.

Policy makers must consider the number of changes that are currently occurring within industries, such as the agriculture sector. Agricultural debt has continued to increase to what is now approximately \$63 Billion dollars. If new policy results in these farms being inoperable or unable to adapt, the flow on effects to the wider economy could be significant.

Loss of control over land use

The new proposal would require farmers, foresters and undeveloped land-owners, who plan on intensifying their land use, (forestry to any farming, arable or dry stock to dairy support, any land to dairy farming) to prove that they will not increase nitrogen, phosphorus, sediment, or microbial discharges from their property above a 2017/18 farm year baseline.

This will impact on the ability of land users to be flexible and react to economic, regulatory and environmental changes. Under the discussion document proposals these restrictions would still apply even if the catchment is meeting the proposed new bottom lines.

This policy is retrospective and would stop those that have recently bought land to intensify it. These are proposed as 'interim controls' until councils have new plans in place, which is supposed to be by the end of 2025.

Upholding property rights is a fundamental pillar of a market economy. If property rights are removed or reduced, compensation is generally paid. Under the current proposals, there is no clear framework for this. ExportNZ supports a market-based approach as laid out below.

There is a possibility that a cap and trade on discharge could be a suitable solution, but while appropriate at a catchment level this could prove much less acceptable at the individual enterprise or farm level. However, an appropriately designed cap and trade regime could provide a mechanism to allocate discharge rights to landowners who value them most highly, although it is accepted there would probably be significant establishment and implementation costs in developing a discharge cap and trade regime for every region.

A cap and trade regime would obviously need to reflect the costs and benefits of implementing such an approach based on a wide range of environmental and economic factors. One standard across the economy would be unacceptable and irrational given wide variations in the value of economic and environmental landscapes across the various regions, including reflecting the variable climate and hydrology throughout the country. That reality notwithstanding, a 'one standard' approach could be considered consistent with the position of most of NZ's major business organisations which have generally supported an Emissions Trading Scheme in respect to green-house gas emissions.

Notwithstanding the above, there is a strong case for initially allocating existing rights to effectively discharge waste on an historical basis to ensure the value of existing investments is protected. This is consistent with the argument for grandparenting existing rights to water and with the approach taken to allocating fisheries' rights under the ITQ framework adopted in the mid-1980s.

Cost benefit analysis

ExportNZ supports the Government's intent to improve water quality. The Government has concluded that human activity across several sectors is degrading New Zealand's waterways. This is well supported by scientific evidence. However, the presumption that the benefits of improving water quality (in the method, scale and timing proposed) are greater than the costs is yet to be confirmed by any economic modelling on a national scale.¹

ExportNZ would like to see the government commission additional comprehensive and independent analysis of the affects of its proposals. Both the benefits and costs at all levels should be clearly outlined.

Working with the industry

The significant role that water plays for many sectors illuminates the need for a holistic approach to policy making. It is important that the Government take industry on this journey with them.

Central government has not sufficiently engaged with industry or industry representatives, which has resulted in a set of proposals which do not reflect reality or consider potential economic impacts. The initial six-week timeframe was far too short considering the significance of the policy proposal. Furthermore, Spring is the busiest and most stressful time for most farmers, and they are the sector most impacted

Industry is committed to improving the quality of New Zealand's waterways. The 2018 General Social Survey identified the state of rivers, lakes, streams, wetland and aquatic life as a concern for 80 percent of New Zealanders. There was little difference between the views of people in rural or urban areas in the reasons for having freshwater concerns.

Agriculture in New Zealand is one the most emission-efficient in the world. A combination of technical advancements and the commitment from farmers is driving constant improvements to the sustainability of the industry. This has been supported by a Sustainable Dairy Water Accord, agreed in 2013 – an inclusive compact made by dairy farmers and partners. In terms of water quality, there have been major improvements in five out of eight water quality attributes since 2008. Farmer have put up enough waterway fencing to stretch from Cape Reinga to the Bluff 12 times.


¹ Wilson, P., & Isack, E. (2019). Getting the balance right The effect of water quality proposals on the New Zealand economy. Auckland: NZ Institute of Economic Research (Inc).

Social, economic and cultural wellbeing needs to be factored in to achieve sustainable environmental wellbeing. Consultation with industry and industry representatives is vital to ensure a just transition that supports realistic timeframes for plan development, execution, on-farm investment and land use change that is required. Reasonable timeframes are essential for those whose current investments would be undermined by rapid change.

In summary;

- We urge the government to engage more deeply with affected sectors to co-create solutions.
- We are supporters of market mechanisms, such as cap and trade schemes to put a price on environment externalities.
- We urge an approach that does not undermine existing investments (grandfather existing rights with a slowly sinking lid).

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'CMB', is positioned above the typed name and title.

Catherine Beard
Executive Director
ExportNZ

cbeard@businessnz.org.nz

0274 633 212

Appendix

ABOUT EXPORTNZ

ExportNZ is a national industry association representing a diverse range of exporters throughout New Zealand. ExportNZ is a division of BusinessNZ, New Zealand's peak business advocacy body.

We are a membership organisation and across our two brands have approximately 2,000 export members. We also have four regional partners: Employers Manufacturers Association (Upper North Island), Business Central (Lower North Island), Canterbury Employers Chamber of Commerce (Upper South Island) and Otago Southland Employers Association (Lower South Island) which between them represents the bulk of manufacturers in New Zealand.

Our value proposition for members is a mixture of policy and advocacy, education and training, networking, trade missions and inspiration through awards events and conferences. Notably, we run a BusinessNZ Chief Technology Officers Group, incorporating the largest innovation-driven companies in New Zealand, many of which export.