

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

**September 2018**

**[taxworkinggroup.govt.nz/key-documents](http://taxworkinggroup.govt.nz/key-documents)**

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;
- [2] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [1] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

## **APPENDIX 4: Environmental regulatory framework as it effects farmers**

The Tax Working Group (TWG) discussion document takes aim at a number of environmental issues, and seeks feedback on what role taxation may play in addressing these issues.

The environmental issues specifically mentioned include:

- Climate change
- Loss of ecosystem services
- Loss of indigenous biodiversity and indigenous species
- Loss of Wetlands
- Water Quality
- Water Quantity
- Fish stocks
- Freshwater fish species
- Landfill waste

Federated Farmers draft position in our initial feedback to the TWG is that taxation is a blunt tool, and regulation of these areas is a more effective mechanism for targeting specific issues and incentivising answers to these issues. As acknowledged in the TWG consultation document (page 49):

*Environmental taxes can be a powerful tool to efficiently reduce pollution and encourage better use of natural resources. Other tools to achieve these outcomes include government regulation (fines and penalties under industry specific regimes) and limiting supply through quota systems. If an environmental tax is set to reflect the cost of pollution to society (that is, the externality), the price of the activity will increase to reflect its true cost.*

We are proposing to argue that the complexity of the natural resource issues, and the need for a 'causal nexus' between the relative level of negative externality created and the relative level of tax. As a component of this approach, we are summarising the current regulations addressing each of the issues outlined in the TWG consultation document.

Our argument is that where there are gaps in regulation and the requirements around sustainable resource use and good environmental outcomes, these gaps are more efficiently, effectively and equitably addressed through changes to regulation or additional regulation, rather than through blunt taxation.

### **Climate Change**

New Zealand's climate policy is to be reviewed by an independent Climate Change Commission. The regulatory framework for New Zealand's Climate Change response is provided through the Climate Change Response Act and will be reinforced by a Zero Carbon Bill.

Electricity and fuel are already within the ETS and their retail prices reflect this. The Government has strongly signalled that agricultural biological emissions such as methane and nitrous oxide will be included, it's only a matter of when.

As the carbon price rises it will bite increasingly, especially once agricultural biological emissions come in (even with a 95% 'free allocation' as provided for in the Labour-NZ First Coalition Agreement). On the other side of the ledger foresters get ETS credits and they will benefit from higher carbon prices.

### **Loss of ecosystem services, indigenous biodiversity and indigenous species**

Loss of ecosystem services and species will be addressed as a component of the Treasury's 'Living Standards Framework', currently under development.

At present, regulation of biodiversity is already addressed under the Resource Management Act. The protection of areas of significant indigenous vegetation and significant habitats of indigenous fauna are considered 'Matters of National Importance' under section 6 of the Act.

This importance is reflected in lower level planning documents, including through the New Zealand Biodiversity Strategy, New Zealand Biodiversity Action Plan, Regional and District Planning, including Regional Pest Management strategies, and is the focus of a potential National Policy Statement (NPS) under the Resource Management Act (this is being worked by a Biodiversity Collaborative Group, which includes Federated Farmers).

The QEII Trust also works with private landowners to protect significant natural features through open-space covenants.

Any changes or stronger directives from these various national strategies, action plans and the NPS will feed through regional and district councils which will all have to amend their plans and strategies accordingly. Whatever emerges will impact on the ability of farmers to go about their business, especially if farmers are required to retire land from production or incur costs to protect biodiversity.

### **Protection of wetlands**

Wetlands are addressed through the regional and district planning processes, particularly the functions protecting biodiversity and significant natural areas.

These protections include both rules around the clearance or use of wetlands, and funding for wetland restoration or protection, through the Department of Conservation and regional council administered landowner and funding assistance programmes.

Wetlands are also an important and increasingly valued tool for improving or maintaining water quality through the regulation of freshwater quantity and quality.

### **Water Quality and Quantity**

Water Quantity and quality (including cumulative impacts) are regulated through the National Policy Statement for Freshwater Management. The NPS requires the setting of enforceable water quality and water quantity limits.

The NPS provides a framework that has been subject to some amendment, and it is likely further amendments will occur.

Regional Councils are required to implement the Freshwater NPS in their policies and plans as promptly as is reasonable. As a consequence, Regional Water Plans have been and are being developed by regional councils, including particularly high profile plans including the Horizons One Plan, Waikato Healthy Rivers, Southland Land & Water Plan, Otago Water Plan, and various Environment Canterbury plan changes arising from a huge amount of catchment-based and region-wide work over recent years.

There are also stock exclusion regulations under development. These would formally exclude livestock from waterways (building on and going beyond the dairy farmers' commitments under the industry-led Clean Streams Accord).

**Freshwater fish**

Freshwater fish, including the 'protection of the habitat of trout and salmon' are specifically provided for under the Resource Management Act, with habitats addressed through regional planning processes, and freshwater quality and quantity addressed through the NPS for Freshwater Management.