

Submission

Update to the Commission's advice on the fourth emissions budget (2036-2040)

Submission to:

He Pou a Rangi, Climate Change Commission

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Submitters

The New Zealand Farm Forestry Association (FFA) is the association representing people who own, manage, or invest in small-scale private forests and/or are interested in the many values of trees. FFA currently has around 1,500 members, representing a good cross-section of the 15,000 entities owning private forests in Aotearoa New Zealand. Small forest owners (<1,000 ha) represent more than 90% of participants in the New Zealand Emissions Trading Scheme (the ETS).

New Zealand Forest Owners Association (FOA) is the representative membership body for the commercial plantation forest growing industry. FOA members are responsible for the management of approximately 1.2 million hectares of Aotearoa New Zealand's 1.82 M ha of plantation forests and over 75% of the annual harvest¹.

In 2024, the forest growing sector was worth \$5.75 billion in export value, and it is anticipated that total export returns for forest products will reach \$7.33 billion by 2027². The sector has a 12% share of rural land use and a high proportion of Māori landowners (48%). The sector contributes 1.6% of Aotearoa New Zealand's GDP and employs approximately 42,000 people in wood production, processing, and the wider commercial sector. Commercial forests sequester approximately half of Aotearoa New Zealand's carbon dioxide emissions.

Executive Summary and general comments

We thank the He Pou a Rangi, Climate Change Commission (the Commission) for the opportunity to provide feedback on the proposed update to the 2024 advice on emissions budgets. The advice, and subsequent Government decisions taken on the basis of the Commission's recommendations, significantly and directly, impact the forestry sector and its ability to play a role in mitigating the impacts of climate change.

We welcome the process of updating and reviewing emissions budgets as new information and methodological changes become available. It is of paramount importance to the forestry sector that emissions budgets and ambition reflect the most current understanding.

However, we are disappointed that Aotearoa New Zealand's ambition on methane reduction for Emissions Budget Four (EB4) has been diluted. We agree with the aspiration and intent expressed by Dr Rodd Carr in the December 2024 media release *that the country has options available to not only get on track to the current target but to increase Aotearoa New Zealand's contribution to the global efforts to limit average warming to 1.5°C*.

¹ [Facts and Figures](#)

² [Situation and Outlook for Primary Industries December 2025](#)

Responding to the significant changes requires further and faster reductions on both sides of the split gas target – and this is possible”. We emphatically support this statement, and we urge the Commission to maintain, if not uplift, it’s ambition towards the methane targets.

We believe the reduction in the methane component of the 2050 targets is incongruent with the efforts being made internationally. We agree with Dr Carr’s statement that many countries are *“doing more and expecting more...Aotearoa New Zealand has the opportunity to adjust our goal and keep pace with global efforts”*. It is disappointing that Aotearoa New Zealand would shift to lessen any component of our target.

Consultation Questions

Do you agree with our proposed approach?

No.

Do you have any feedback on our proposed approach?

We do not agree with reducing the biogenic methane component of the 2050 target in EB4.

We submit that one of the critical factors overlooked by the Commission affecting the rate of reduction in biogenic methane is the relationship with afforestation. The role of forests in reducing carbon dioxide is embedded in our emissions reduction budgets however, the role of forests in reducing biogenic methane is not acknowledged by the Commission. We agree with the Parliamentary Commissioner for the Environment³ *“Why should emitters of carbon dioxide in the fossil-fuel-based economy have access to New Zealand’s limited supply of forestry offsets to assist them in meeting their emissions reduction target, but not emitters of livestock methane in the land-based economy?”*.

Further, we submit that if the biogenic methane target is to be reduced, then it must not occur in isolation from other mitigations. There must be a compensatory adjustment within the budgets to balance additional methane tolerances – we suggest this could be provided by additional exotic and native afforestation.

If forestry offsets are to provide additional offsets to account for higher allowable methane emissions, then Government policy settings must change. Page 6 of our submission provides evidence that the rates of afforestation will fall well short of what is required to meet our climate change ambition. This is attributable to the increasingly obstructive regulatory settings which are eroding investor confidence in New Zealand forestry. The government’s policy to restrict afforestation by LUC classification is in direct contradiction to the ambition and the practical requirements embedded in Aotearoa New Zealand’s

³ [How much forestry would be needed to offset warming from agricultural methane | Parliamentary Commissioner of Environment](#)

emissions budgets; further it signals instability to the overseas investors that would assist Aotearoa New Zealand to generate the forestry offsets required to achieve the 2050 target.

Where within the target range for biogenic methane should the fourth emissions budget aim to put the country on track for in 2050?

For reasons set out throughout our submission, we urge the Commission to set the target range for biogenic methane in EB4 above the ranges proposed.

It is becoming clear that warming will not be held at 1.5 degrees, global efforts are accordingly increasing to drive GHG reduction. A proposal to weaken Aotearoa New Zealand's biogenic methane target range in EB4 is a contradictory step in the wrong direction away from our international counterparts.

Further, weakening the biogenic methane component of Aotearoa New Zealand's 2050 target heightens the risk that costly and unpalatable offshore credits will be required to honour our Paris Agreement commitments.

The fourth emissions budget is the final race towards the 2050 target, it the time period where our emissions reduction efforts are the most mission critical. It is our view that aspiration within the fourth emissions budget cannot be weakened.

What implications and evidence regarding domestic food production should the Commission consider in its advice?

We disagree with the assumption that there will be a linear reduction in dairy numbers per ha of 41% by 2050. With the removal of the restriction on land-use change, there has been an increase in dairy farm conversion consents issued for example, in Canterbury. Environment Canterbury are projecting an increase in dairy numbers, including 20 new dairy farm conversions joining Fonterra in 2026/27 - with 50% of the conversions from arable land. There is also increased interest in dairy conversion in Otago/Southland. The Otago Daily Times reports that Landpro (a planning consultant) have had nine resource consents for dairy farm expansions in Southland approved, a further three consents submitted and six consents are in draft⁴.

While most of the dairy expansions/conversions are occurring in the South Island, the area captured is not trivial. The Sensitivity Analysis (Stocking Rates) provided in Chapter 4 notes *“that changes to stocking rates could have a large impact on meeting the fourth emissions budget”*. We submit that while the Commission *“is undertaking a fresh analysis”* that the modelled linear reduction in dairy numbers should be scrutinised and updated accordingly.

⁴ [Future legislation may impact dairy conversions | Otago Daily Times Online News](#)

Is there particular evidence you think we should consider on how the specific assumptions used in the modelling for the original advice on the level of the fourth emissions budget have changed since 2024?

Net exotic afforestation rates

The Commission's advice is that for the demonstration path we will need to have achieved a net afforestation gain of 490,000 hectares for exotic forests by 2040. In our view, this is not realistic for the following reasons:

- the uncertainty surrounding forestry investments.
- the carbon price has not been sustained as anticipated and the ETS has not performed as intended.
- margin compression.
- increasing regulatory constraints at both a national and regional level.
- increasing cost of compliance and certification across the board.
- increasing cost of participation in the ETS i.e. the per hectare cost recovery charge for Tupu-ake.

Below is an extract from the most recent National Exotic Forest Description report⁵, which shows that during the last few years, when we had ostensibly less constraints, we averaged an increase of the exotic forest estate of around 20,000 ha/pa. At that rate we would end up with an increase of only 320,000 ha (=16 years * 20,000 ha) by 2040.

Table 3: Total Forest Area (hectares), as at 1 April

	2020	2021	2022	2023	2024r	2025
Area awaiting replanting ¹	50,030	45,487	46,101	39,958	44,080	43,388
Net stocked area	1,716,575	1,739,971	1,757,447	1,789,479	1,792,641	1,818,434
Total forest area	1,766,605	1,785,458	1,803,548	1,829,437	1,836,721	1,861,822

Notes

1. The area awaiting replanting does not include forests under 1,000 hectares, so please use this metric with caution.

The estimated known area of radiata pine increased by 21,179 hectares between 2024 and 2025. The increase was due to re-mapping of existing forestry (including from changes in ownership), planting and the correction of anomalies in survey responses. Douglas-fir area increased by 394 hectares between 2024 and 2025. Other hardwoods increased by 896 hectares between 2022 and 2023. Other softwoods and cypress species showed small decreases, while eucalypts showed minor increases, consistent with year-on-year variation.

We have heard from many of our members that next year's afforestation programme will be significantly reduced. We have also heard from a large Canterbury conifer nursery owner that forward orders and sales for this planting season have plummeted.

Given the current environment, the forestry sector is confident that much lower afforestation rates will be attained going forward. It is extremely likely that we will end up with an even smaller increase than 320,000 ha.

⁵ [National Exotic Forest Description 2025](#)

Net native afforestation rates

The Commission's advice is that for the demonstration path we will need to have achieved a net afforestation gain of 390,000 ha for native forests by 2040. We are not aware of any credible historical figures supporting this projection and suggest that it is not a realistic target. Whilst we are supportive of native afforestation and many of our members are undertaking significant native afforestation projects, we also challenge the belief that native forests will provide a safer, more long-term carbon sink than exotics. And any carbon or methane sinks provided by native afforestation will occur largely beyond the 2050 target.

Conversely, there is plenty of research that shows:

- Carbon sequestration rates of exotic species, in the long-term, outperform native species; and
- Given that our climate is changing, there are a range of exotics that can cope with hot and dry conditions, but there is little evidence that our indigenous forests will be able to adapt to those conditions.

As a consequence of the lower than projected native and exotic afforestation rates, there will be a lower than projected level of methane reduction and biomass production.

Assumptions about the price of carbon

The Commission's trajectory for the price of NZUs is that starting at \$47/NZU in 2022 it will climb to \$171 in 2040. We are challenging this on the basis that the recent Ministry for the Environment (MfE) consultation document on ETS settings states that the price of carbon will peak at around \$80 in 2030 and then trend towards the long run average cost of forestry of \$50/NZU. The Commission's assumptions should be updated to reflect the settings projected by MfE.

Assumptions on forest harvest are uncertain

The Commission forecasts an increase in harvesting during the 2036 to 2040 period. We suggest that this will be highly dependent on the price of carbon at the time. There are around 470,000 hectares registered under stock change in the ETS. If the price of carbon is high, then it is unlikely that many of those forests are harvested, as it makes more sense for the forest owner to monetise the value of the sequestered carbon. We are aware of many small growers who, even at a price of \$50/NZU, would choose that option. Conversely, if the price of carbon declines, then it is more likely that those trees will be harvested, but this will depend on the forest owner's specific value equation.

Are there any notable changes since December 2024 which are likely to materially or permanently affect the level of emissions reductions which are appropriate?

Carbon measurement

We submit that the Commission's analysis needs to be updated to include the results of the Ministry for Primary Industry's (MPI's) Maximising Forest Carbon programme⁶. The program identified major increases in sequestration rates for those post-89 forests which do not measure their stored carbon, as well as for pre-90 forests. This has the potential to address the projected shortfall identified by Treasury in June this year and could alleviate the need for Aotearoa New Zealand to obtain overseas carbon credits to honour its Paris Agreement commitments. Irrespective of whether the Government chooses to recognise the increased sequestration rates in the ETS, the results of the research will affect Aotearoa New Zealand's climate change accounting.

International shipping and aviation emissions

If international shipping and aviation emissions are included, which would be consistent with international progress and which the Commission consulted on alongside the development of EB4, then the Commission's advice must be updated.

Closure

In summary, we contend that reducing Aotearoa New Zealand's methane target coupled with the Commission's over estimation of forest offsets will place at risk our ability to reach the 2050 targets. We urge the Government to maintain the biogenic methane component of the 2050 target or consider other compensatory levers to accommodate the new biogenic methane target ranges.

We trust these comments provide useful feedback. Should you need further information, the New Zealand Farm Forestry Association and the New Zealand Forest Owners Association are both willing to help in any further discussion.

We do not object to this submission being made public.

⁶ [Maximising forest carbon | NZ Government](#)



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