

31 October 2019

Freshwater team
Ministry for the Environment
Via website: consultation.freshwater@mfe.govt.nz

Dear Sir or Madam,

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

We welcome the opportunity to provide a submission to the Ministry for the Environment on the Action for healthy waterways: A discussion document on national direction for our essential freshwater (“the discussion document”).

We have focused our feedback on key areas where we consider we can add the most value and have received input for this submission from our members operating with and in the rural sector. Appendix A provides more information about Chartered Accountants ANZ.

Key points

- Given the importance and the potential effects of the policy, we have concerns around the limited time frames that are set out to review the extensive documents and to offer constructive feedback.
- We consider a quantitative assessment of the potential economic impacts of the package is essential to a full understanding of all the implications. We support recommendations made by the Freshwater Leaders Group in July 2019.
- We suggest further research may be needed to determine the appropriate levels for New Zealand’s waterways, particularly for Dissolved Inorganic Nitrogen (DIN) and Dissolved Reactive Phosphorus (DRP).

Should you have any queries concerning the matters discussed above or wish to discuss them in further detail, please contact Karen McWilliams via email at karen.mcwilliams@charteredaccountantsanz.com or phone (612) 8078 5451.

Yours sincerely



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General comments

We recognise the importance of water quality issues, biodiversity and Farm Environmental Plans (FEP) and support the steps being taken by the Ministry for the Environment on action for healthy waterways.

The Essential Freshwater Policy package proposes some potentially highly significant changes for Agriculture in New Zealand. It is important that those involved in the sector, including farmers, continue to be engaged and contribute throughout the process. Sector engagement is critical to the long term and sustainable goals in agriculture which include continued innovation based on science, as well as economic and social analysis.

Given the importance and the potential effects of the policy, we have concerns around the limited time frames set out to review the extensive documents and to offer constructive feedback. In addition, we note that there has been no option to provide verbal feedback. Considering that this consultation is being conducted during an extremely busy time of year in the farming calendar, the option to provide verbal feedback may have encouraged increased feedback from a wider range of stakeholders to better reflect the complexity and full implications of the current proposals.

Economic Assessment Impact

The Regulatory Impact Analysis (RIA) provides detailed insights into some of the on-farm economics affected by changes to the Freshwater Management Policy. Consideration has been given to the increased compliance costs of Overseer and FEP that come with implementing tighter nutrient/monitoring controls and aspects of on-farm management that might need to change e.g. fencing waterways. However, no analysis has been provided as to the effect on agricultural production and the potential economic and wellbeing impact on farming businesses and communities. As noted in the discussion document, by 2025 regional councils would be required to have made a final decision on plans and actions that will improve freshwater ecosystem health. It is important that the timeframes allow adequate time for farming businesses to change.

In order to meet some of the proposed nitrogen bottom lines (1mgL No₃-N), we understand significant parts of Canterbury, Waikato and Southland will require reductions in nitrogen loading of more than 50 per cent. The proposed reduced nitrogen loading could result in reduced production in these locations, possibly at significant levels.

We support the recommendations made in the July 2019 [report by the Freshwater Leaders Group](#) (point 79) and consider that a quantitative assessment of the potential economic impacts of the package is essential in order to fully understand all the implications of these proposals, to enable a more informed and robust decision-making process.

Nutrient Limits:

We note the proposed new bottom line for DIN in rivers at an annual median of 1.0 milligrams per litre and a level of 0.018 milligram per litre of DRP. We suggest that these levels be considered further as these are significantly lower than the currently recognised New Zealand Drinking Health Standard of 6.8 milligrams per litre nitrate nitrogen and the international standard of 11.3 milligrams per litre.

We note page 48 of the discussion document states:

“The advisory groups agree that there is a need to reduce nutrient pollution from nitrogen and phosphorus, but some had not had time to fully consider the bottom line proposed by Freshwater Science and Technical Advisory Group (STAG).”

We are concerned that the bottom lines in the paper have been proposed without being fully considered by the advisory group. Conditions (in particular DIN and DRP levels) in many catchments within New Zealand are unique and therefore we suggest further research may be needed to determine the appropriate levels for New Zealand’s waterways. As an interim measure, the DIN level could be set at the New Zealand based National Drinking Standard Requirement.

Modelling Tools for Nutrient Loss

We note that Overseer is proposed to be used as the modelling tool of choice for farming land to determine current nitrogen losses however, this tool was initially designed to optimise nutrient use for farmers.

The [“Overseer and the Regulatory Oversight” report](#) (‘report’) published by the Parliamentary Commissioner of the Environment in December 2018 highlighted a number of concerns around the use of Overseer. Page 118 of the report states:

“Although Overseer’s farm and user-based focus make it attractive for use in a regulatory discussion making, it has not been subjected to the rigorous formal scrutiny that those who are being regulated might expect”

The assessment, contained in this report, revealed the lack of a significant amount of information to confirm Overseer’s use in a regulatory setting. If councils and farmers are to have confidence in Overseer, we suggest a comprehensive evaluation of Overseer is undertaken. We support investment into robust modelling tools for nutrient loss and suggest regionally specific field trial research should be undertaken to help validate these tools.

Effects Based Planning:

Land use controls have a part to play in achieving environmental outcomes, however we recommend consideration also be given to an effects-based regime (based on outcomes), in which farming activity is limited by its environmental impact. A nationwide controls system may stifle innovative thinking and would not consider the local catchments environmental and climatic circumstances or individual farm properties or systems.

For example, the winter feed cropping regulations would require consent to graze off more than 30(50) hectares or more than 5(10) % of the farm. If the slope is greater than 10(15) degrees, it would require consent. However, there may be properties that could graze a greater area of crop without causing any significant sediment or nutrient runoff by virtue of their land contour, topography and management practices i.e. the effects would be minimal. This should be also considered against the strategic importance of winter feed cropping in high altitude north island and South Island properties where these farming systems are heavily dependent on winter feed crops.

Whilst we acknowledge this will be more difficult to achieve, we recommend consideration is given to an effects-based approach for regulation mechanisms of winter feed cropping, setbacks from waterways, silage pad feeding, further irrigation development.

Mandatory Farm Environment Plans:

We support the implementation and recognise the importance of FEP as an important support tool for farmers. To enhance continued innovation in, we recommend consideration of a principles-based approach as opposed to mandatory requirements.

Appendix A

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 125,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation professional accountants across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.