

***Addressing  
resource allocation under the  
RMA and the transfer of nitrogen  
and water allocation under the  
Waikato Regional Plan***

**Robert Brodnax**

June 2009

# ***An insight into resource allocation***



# ***News flash!***

- The RMA can provide for economic instruments.
- Water is already monetised.
  - Water rights influence land price – can be more than 25% of property value
- Providing for transfer of allocations is not rocket science...but it is also not easy.
  - Nitrogen trading in Lake Taupo.
  - Water allocation in the Waikato region.

# ***Variation 5*** ***to the Waikato Regional Plan*** **Lake Taupo Water Quality**



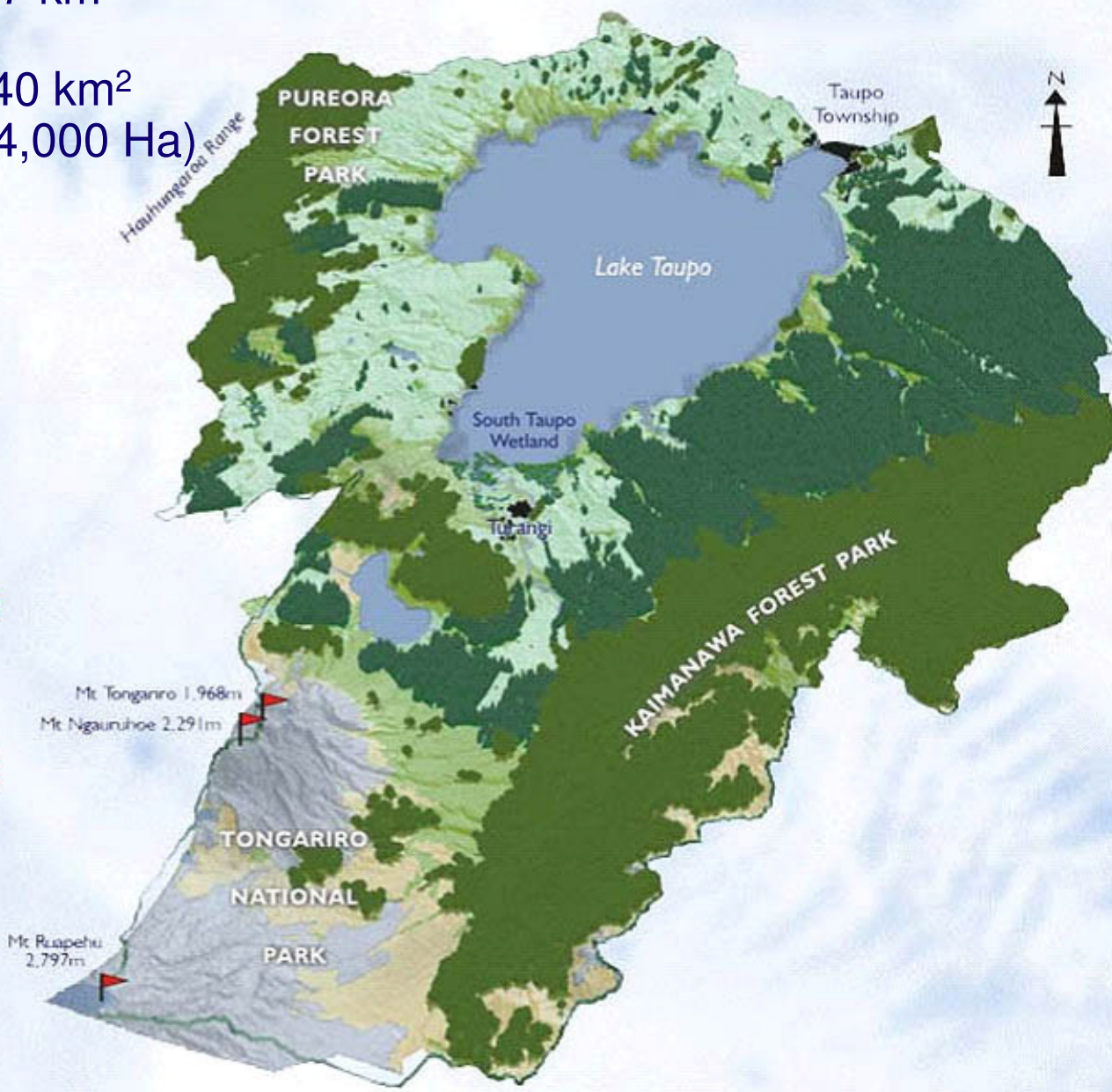
# Lake Taupo

Catchment area = 3487 km<sup>2</sup>

Lake area = 622 km<sup>2</sup>

Effective farmland  $\approx$  540 km<sup>2</sup>  
(54,000 Ha)

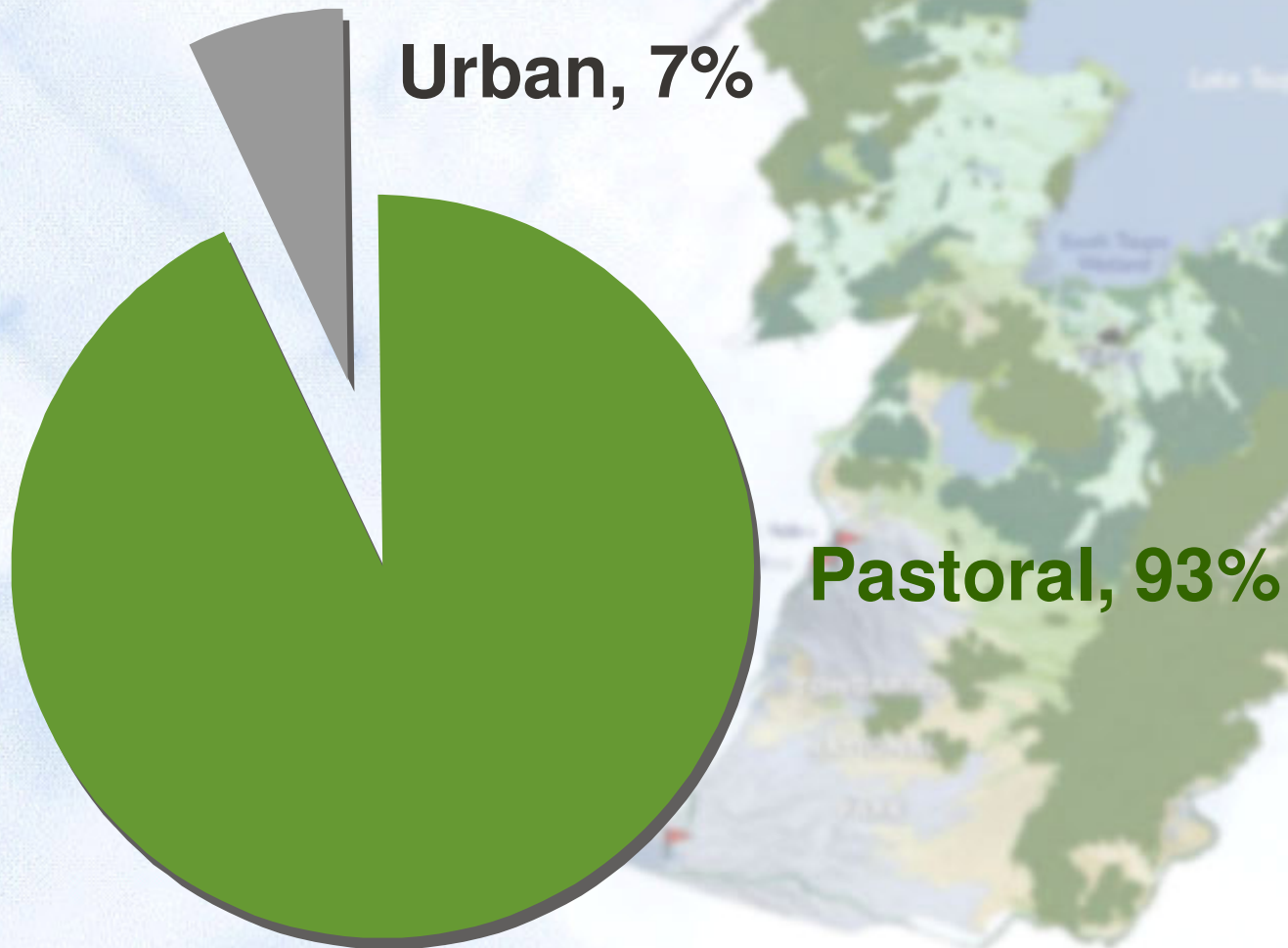
## Key



# ***The Lake Taupo problem***

- Lake water quality affected by surrounding land use, porous pumice soils.
- Increased loads of nitrogen from land = increased algal growth, reduced lake health.
- Several indicators are showing lake water quality needs protecting.
- Even if we act now, lake will get worse before it gets better – time lag.

# *Manageable sources of Nitrogen*



# ***Protecting Lake Taupo - more than a plan change***

- Our Objectives
  - 20% reduction in manageable nitrogen load by 2080 in order to maintain water quality.
  - No effects on lake from wastewater treatment and disposal systems.
  - Economic costs minimised and spread across local, regional and national communities.

# ***Protecting Lake Taupo - more than a plan change***

- TDC funds reticulation of waste water for lake shore communities.
- Lake Taupo protection trust given \$81 million by government, EW and TDC to reduce nitrogen losses from land.
- Control land use via the Waikato Regional Plan.
  - Nitrogen losses from land capped.
  - Consents for farming.
  - Land users able to trade Nitrogen allocations.

# *Land use rules*

- Nitrogen discharge allowance (NDA).
  - Total N allowed to leach from property.
- NDA is part of farm consent.
  - Overseer model with auditable records.
- N is 'gifted' based on historical discharge.
  - Benchmarked to best year between 2001 and 2005.
- Historical N allocation.
  - preserves farmers' existing income without changing existing income other land owners.

# ***Nitrogen trading***

- Provisions allow trading or offsetting N increases with decreases.
  - Subject to a resource consent.
  - Need certainty that N losses remain capped.
- Trades/offsets already occurring.
  - Creative subdivision.
  - Farmers from outside catchment purchasing farms and changing management regimes
  - Lake Taupo Protection Trust.

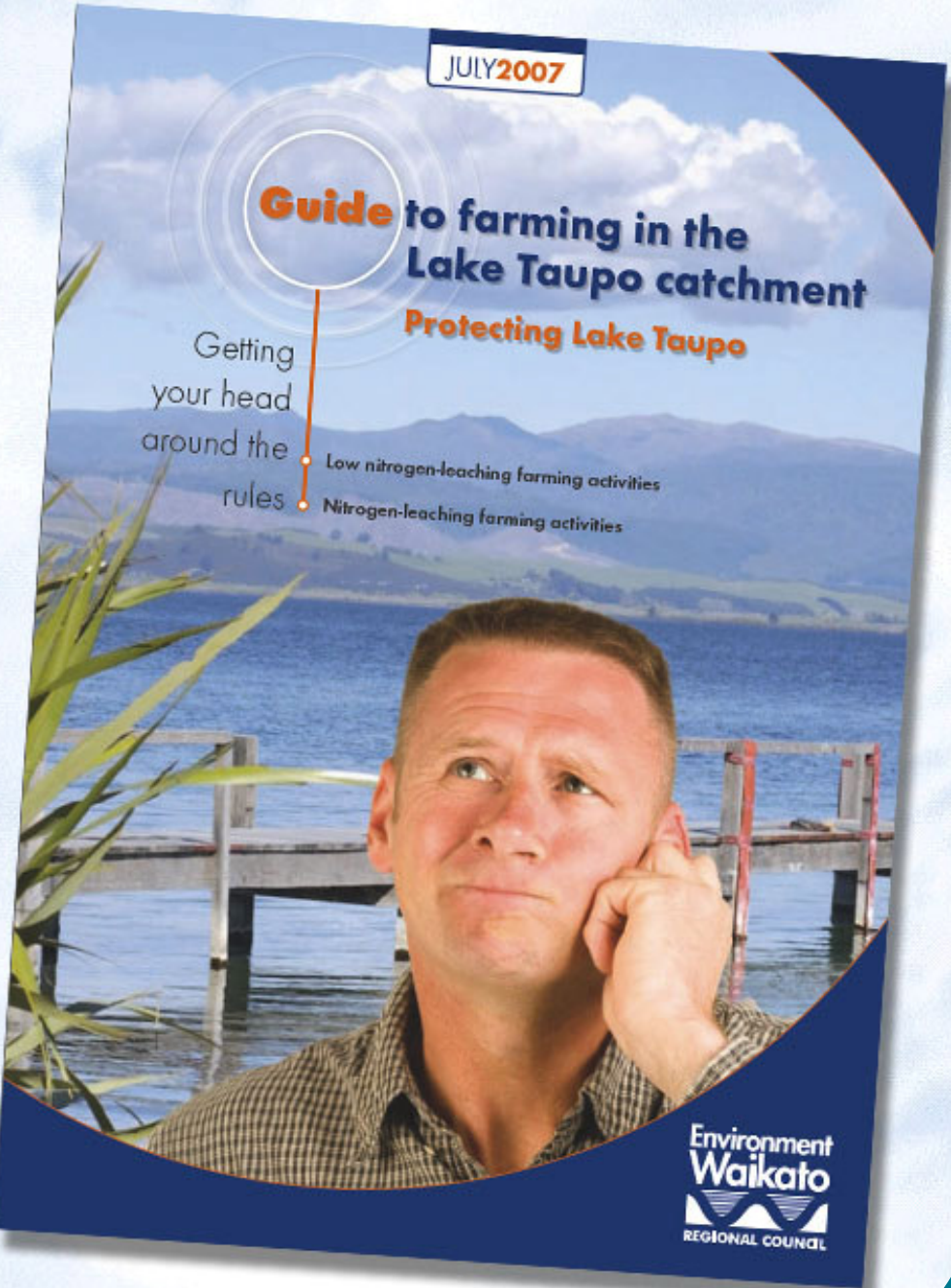
JULY 2007

# Guide to farming in the Lake Taupo catchment

## Protecting Lake Taupo

Getting your head around the rules

- Low nitrogen-leaching farming activities
- Nitrogen-leaching farming activities



Environment  
**Waikato**  
REGIONAL COUNCIL

Environment  
**Waikato**  
REGIONAL COUNCIL

# *Some learnings*

- Establishing your allocation methodology is critical – and will be litigated by the perceived losers.
- Potential precedent effect a huge concern for people.
- Complexity of trading rules depends on degree of certainty you require.
- You can develop as many theoretical case studies as you like, but once you begin implementation you will realise that New Zealanders are outstandingly creative...



# ***Variation 6 Water Allocation***

# *Key elements of the variation*

- Establishes critical flows/yields.
  - Q5/environmental/allocable/sustainable yields.
    - Significant opportunity for co-management approach.
- Priority of takes.
  - Municipal Water Supplies.
- Common expiry dates (15 yr intervals).
- Catchment-wide consideration all applications:
  - (12months prior to common expiry).
- Competing takes
  - Preference to renewable energy, non consumptive and most efficient takes.

# *Enabling transfers*

- Set clear allocation limits.
- Discourage allocation above limits.
  - More restrictive rules, less certainty of supply.
- Split take consent from use consent
  - Takes bound to the person, use bound to the land
- Define transfer rules.
  - Same catchment/aquifer, mandatory telemetering, no adverse effects on other users.
- Minimise bureaucracy.
  - Permitted activity rules in place since 1998.

# ***Key Unresolved Treaty Issue***

## ***Iwi allocations***

- If water allocations are transferable, is there a treaty breach?
- Cultural values can be protected within environmental flows but.....
  - but what about lost economic opportunities?
  - what about ability to exercise kaitiakitanga if transfers permitted?
- Should a proportion of allocable flows be set aside for iwi use? What about in fully allocated water bodies?

# *Summary*

- The tools to enable transfer of permits exist already in the RMA.
- Water has already been “monetised”.
  - Land price is the proxy.
  - But there is a possible treaty breach...
- When you set strong limits and enable transfers, the market takes over.
- Litigation of policy is inevitable.

# *Could reform help?*

- National Policy Statements could affirm mandate and reduce litigation.
- Government must address treaty issues.
- Process for getting plans in place takes too long.
- We don't need an EPA to make this happen
  - Regional Policy Statements and Plans can do the job now.