



Ministry for the

Environment

Manatū Mō Te Taiao

Impacts of 2020 targets on the Māori economy

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	Description	Relevant dates
Minister for Climate Change Issues Hon Dr Nick Smith	Agree to publicly release the attached report following the national hui on 4 August.	None
Associate Minister for Climate Change Issues (International Negotiations) Hon Tim Groser	None	None

Ministry for the Environment Contacts

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Background

The Ministry for the Environment recently commissioned economic consultancy the New Zealand Institute of Economic Research (NZIER) to analyse the likely impacts of different 2020 emission reduction target scenarios on the Māori economy. The final report outlines the findings of that work and is attached to this briefing.

Main findings of the report

Approach

Because of a number of constraints including poor data, it is not possible to separately model the impacts of different 2020 targets on the Māori economy. Instead, the report interpolates impacts on the Māori economy by:

- defining the industry/sectoral makeup of the Māori economy, including how this differs from the rest of New Zealand economy
- drawing on modelling results of the impacts on these industries/sectors, and for the New Zealand economy as a whole
- using the findings on how these industries/sectors will be affected to infer impacts on the Māori economy, and compare this to the rest of the New Zealand economy.

In addition, possible LULUCF rule changes that could be secured during international climate change negotiations, and the impact that these can have on the Māori economy, are discussed.

The Māori economy

The Māori economy is focused in a few key sectors more than the rest of the New Zealand economy. These are mainly in the area of primary production, and include:

- **Agriculture.** Agriculture makes up a much larger percentage of Māori GDP (16%) than for the rest of the New Zealand economy (6%), accounting for around 7.4% of New Zealand's total agricultural output
- **Forestry.** Māori have a large ownership interest in forestry land (around 36% of pre-1990 forests) and this may increase as a result of further Treaty settlements. However there is not yet a significant interest in forestry production
- **Fishing.** Māori control up to 37% of New Zealand's domestic fishing quota
- **Commercial property.** Commercial property contributes 27% to GDP in the Māori economy, compared to 3% for economy as a whole.

Domestic climate change policy

The results of previous modelling have shown that it is the domestic policy framework and the price of carbon that directly determine the impact of climate change policy on different industries, rather than the amount of Assigned Amount Units (AAUs) that New Zealand receives according to an international agreement.

Using the industry composition of the Māori economy relative to the New Zealand economy, and modelling of industry effects of a New Zealand Emissions Trading Scheme (ETS) with free allocation, the report concludes that the Māori economy will be impacted in much the same way as the New Zealand economy as a whole. Māori

are not expected to be more disadvantaged than others by an ETS with free allocation.

Impact of different 2020 targets

New Zealand's 2020 AAU allocation under a 2020 target impacts on welfare, with lower AAU allocations resulting in lower welfare. However the welfare implications of more or less stringent targets are expected to be similar for both the Māori and the New Zealand economies. Māori are not considered to be more adversely affected by more stringent targets than non-Māori. For all 2020 targets both Māori and non-Māori economies are expected to grow.

Forestry rule changes

Two possible rule changes that could be negotiated as part of New Zealand's 2020 target are considered to be beneficial to the Māori economy if secured, and if passed through to domestic policy settings:

- **Land Use Flexibility.** This rule change would increase the potential income from pre-1990 forest land that is suitable for conversion to agriculture and, as a result, the value of that land. Given the large Māori ownership of pre-1990 forest land securing this rule change would be beneficial to the Māori economy
- **The Emissions to Atmosphere approach for harvested wood products.** This proposed rule change defers liability for harvest emissions and reduces the present value of the liability. This is also likely to improve the value of Māori forest land.

Because of high Māori ownership of forest land these proposed rule changes could be more important to the Māori economy than the level of AAU allocation under a 2020 target.

Conclusion

Three general conclusions can be drawn from the report:

- domestic climate change policy of an ETS with free allocation is not expected to disadvantage the Māori economy more than the New Zealand economy
- the level of AAUs New Zealand receives under a 2020 targets does not disproportionately affect the Māori economy compared to the New Zealand economy as a whole. In all scenarios both are expected to be much better off in 2020
- forestry rule changes are important to the Māori economy because of high Māori ownership of forest land. This is potentially more important than the actual 2020 target allocation of AAUs.

Next Steps

The final national hui on the 2020 target will be held on 4 August. The NZIER report has been released to the Maori Reference Group Executive following discussion with your office. Given that the findings of the report are not considered to be sensitive we recommend that it be publicly released following the hui.

Recommended Actions

We recommend that you:

- (a) **Agree** to publicly release the attached report following the national hui on 4 August:

Yes / No

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Hon Tim Groser

Associate Minister for Climate Change Issues (International Negotiations)