



Report 08.731
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Committee Catchment Management
Author Dave Cameron, Manager, Land Management

Afforestation Grant Scheme Funding Agreement

1. Purpose

To seek approval of the Afforestation Grant Scheme Funding Agreement and the Memorandum of Understanding.

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

The Afforestation Grant Scheme (AGS) was established in October 2007 as part of the Government's new policy initiatives under the Sustainable Land Management and Climate Change Plan of Action.

Also included in this suite of new policy initiatives was the Hill Country Erosion Fund (HCE). Greater Wellington has an application for funding from the HCE that is now only dependent on confirmation of Council's contribution through the 2009/19 LTCCP process.

Under the AGS landowners can receive a government grant for the planting of new forests on Kyoto-compliant land. Grant recipients would own the new forest and earn income from the timber, while the Crown would retain the carbon credits and take responsibility for meeting all the harvesting and deforestation liabilities in the first ten years. After ten years landowners have the option of joining the Emissions Trading Scheme (ETS).

The AGS complements a number of Council funded sustainable land management programmes through the requirement for co-benefits. The AGS will operate alongside existing Farm Plans and will provide an additional funding source for achieving regional land management outcomes.

4. Regional Council Fund

\$50M has been budgeted over six years for this afforestation project, beginning in 2008/09. Following representation from a number of Regional Council's half the fund was set aside to be administered by Regional Councils on the proviso that co-benefits of soil erosion, flood protection and water quality were met by each application. Ten Regional Councils, including Greater Wellington have signalled their interest in participating in this process.

Two agreements have been prepared to reflect the various partnerships required to effect the change of land use to forestry. Principal among these is the Funding Agreement between the Crown and the ten participating Regional Councils, and the Memorandum of Understanding between Hawkes Bay Regional Council and the ten participating Regional Councils – see Attachments 1, 2 and 3.

The Hawkes Bay Regional Council has been appointed to act as the Nominated Recipient of the funds. The Memorandum of Understanding governs the relationship between the parties undertaking the obligations owed to the Crown (MAF) under the Funding Agreement.

5. Financial Matters

There are no funding implications for Greater Wellington as a result of engagement in the AGS.

A service fee is in place as part of the agreement between MAF and the Regional Councils to cover costs of promotion, setup, and the legal aspects of each application.. The service fee of 7.5% is to be reviewed once actual costs are to hand. Regional Councils view this level of service fee as too low and are advocating for an increase. In addition landowners may engage Greater Wellington as the forest establishment manager which is an eligible cost to be covered by the grant.

Greater Wellington has been engaged by one landowner in the Wairarapa to plant 90 hectares under the AGS. Funding for this project cannot be received until the Funding Agreement and Memorandum of Understanding are signed by all parties.

6. Communication

Several communication initiatives will flow from the completion of agreements with MAF. Primary among these will be an opportunity to actively promote the AGS to landowners throughout the region using a number of channels including the Wairarapa Hill Country Advisory Committee, Rural Focus newsletter and local newspapers.

7. Recommendations

That the Committee:

1. **Receives** the report.
2. **Recommends** that Council agree to participate in the Afforestation Grants Scheme and authorises the Chief Executive to execute the Afforestation Grant Scheme Funding Agreement and the Memorandum of Understanding documents attached to this report.

Report prepared by:

Report approved by:

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Manager, Land Management

Geoff Dick
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Attachment 1 – Funding Agreement for the Afforestation Grant Scheme

Attachment 2 – Memorandum of Understanding

Attachment 3 – Flow Chart