

The Treasury

Overseas Investment in Forestry Information Release

September 2019

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Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [5] 9(2)(h) - to maintain legal professional privilege
- [6] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Treasury Report: Treasury Report: Overseas Investment in Forestry

Date:	21 February 2018	Report No:	T2018/238
		File Number:	IM-5-8

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note the contents of this report	None
Associate Minister of Finance (Hon David Parker)	Agree to consult with Ministers' offices on the attached Cabinet paper Lodge the attached Cabinet paper with the Economic Development Committee	27 February 2018

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Steve Cantwell	Principal Advisor, Overseas Investment	[6]	N/A	✓
Thomas Parry	Team Leader, Overseas Investment	[6]	[6]	

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Lodge the attached Cabinet Paper with the Economic Development Committee.

Note any feedback on the quality of the report

Enclosure: Yes

(attached)

Treasury Report: Treasury Report: Overseas Investment in Forestry

Recommended Action

We recommend that you:

- a **agree** to consult with relevant Ministers' offices on the attached Cabinet paper

Agree/disagree
Hon David Parker
- b **note** you need to seek authorisation from the Minister of Finance to lodge the attached Cabinet paper
- c **note** you need to seek authorisation for the late lodgement of the attached Cabinet paper
- d **lodge** the paper with the Economic Development Committee by midday Tuesday 27 February 2018

Thomas Parry
Team Leader, Overseas Investment

Hon David Parker
Associate Minister of Finance

Treasury Report: Treasury Report: Overseas Investment in Forestry

Purpose of Report

1. This report provides a Cabinet paper for lodgement proposing changes to the approach to screening forestry investments through the Overseas Investment Act 2005.

Updated Paper

2. On 16 February 2018 we provided you with a draft version of the Cabinet paper. This version responds to your feedback and also reflects comments from agencies. The key changes to the paper are outlined below.
3. The paper now includes an executive summary.

Fiscal Implications

4. The paper provides updated wording on the fiscal implications, although the associated implementation costings and updated application fees have not been worked through by the Overseas Investment Office (OIO). The OIO is working through costings based on the proposals in the Cabinet paper and will seek approval on these once known.

Climate Change

5. We have removed the criterion relating to New Zealand's climate change strategy from the proposed checklist. This is in response to advice from the Ministry for the Environment on 20 February 2018, which indicates forestry sequestration in New Zealand will contribute to New Zealand's international climate change target and risks could be managed through the Climate Change Response Act 2002. The Cabinet paper notes the issue and confirms that, based on officials' advice, a climate change criterion is not required in the checklist.

Departmental Comments

6. A departmental comment has been included from the Department of Conservation indicating that they do not support the preferred option as they consider shifting from the current test will reduce the ability to assess whether there is sufficient protection provided for indigenous vegetation, habitats of indigenous fauna and wildlife which can be found in some production forests.

7. A comment has also been included from the Overseas Investment Office outlining implementation risks and possible mitigation approaches. The key paragraph from their comment reads:

Should Cabinet be minded to agree to the proposals in this paper, OIO note that setting out a more detailed mandatory checklist for forestry applications in regulations, and setting out in legislation the principles that must be considered and the date that the Regulations must be made by, would go some way to mitigating the timing risks while further supporting governments overall objectives and could satisfy the requirement that forestry rights be screened before CPTPP enters into force. Until the Regulations are made, forestry rights could be assessed against the investor test (as proposed in this paper) and land purchases could continue to be subject to the current regime. Industry would have certainty of the commitment as this would be set out in the Bill. If sufficient time is allowed (eg 8 – 12 months), industry and other key interests could be engaged in the development of the check list, further improving the final product.

Iwi/Maori Consultation (Legally Privileged)

8. [5]

9. [5]

This is consistent with the advice we previously provided to you [T2019/31 refers].

Regulatory Impact Statement

10. The Regulatory Impact Statement (RIS) is still awaiting assessment by the Treasury's Regulatory Quality Team. The Cabinet paper will need to be updated before it is lodged to insert the Regulatory Quality Statement once available. We anticipate being able to provide your office with the RIS for review and lodging with the Cabinet paper on Friday 23 February.

Wood Processing Consultation

11. The paper now notes the concerns previously raised by the Wood Processing and Manufacturers Association regarding security of log supply in the consultation with stakeholders section.

Next Steps

The table below provides a timeline of the immediate next steps:

Date	Deliverable
Wednesday 21 February	Receive a copy of this report and accompanying Cabinet Paper to circulate for Ministerial Consultation
Friday 23 February	Receive a copy of the Regulatory Impact Statement
Monday 26 February	Provide any feedback from Ministerial Consultation to the Treasury should any changes need to be made
Tuesday 27 February	Lodge Cabinet Paper with Cabinet Office by <u>midday</u>
Wednesday 28 February	Economic Development Cabinet Committee consideration
Monday 5 March	Cabinet considers policy paper
Week beginning 5 March	PCO commences drafting on SOP
Friday 9 March	Treasury Report, LEG Paper and SOP to Minister Parker
Thursday 15 March	Lodgement of LEG Paper
Monday 19 March	Cabinet considers legislation paper
Tuesday 20 March	Forestry SOP presented to Select Committee Select Committee seeks submissions
End of March	Submissions close
Early April -> approx. 20 April	Oral hearings

Risks

12. There is no room for slippage in the current timeframe if these changes are going to be introduced as a Supplementary Order Paper to be considered by the Select Committee alongside the Overseas Investment Amendment Bill.