



To: Hon Damien O'Connor, Minister for Land Information
Hon Barbara Edmonds, Associate Minister of Finance

ASSESSMENT REPORT: **ERI Timber New Zealand S.á.r.l.**

Date	19 September 2023	Classification	IN CONFIDENCE: Commercially sensitive
LINZ reference (Report reference)	202300219 (BRF 24-130)	Deadline	13 October 2023

Purpose

We seek your decision on an application for consent to acquire an interest in sensitive land under the Overseas Investment Act 2005 (Act).

Action sought

1. Review this report and consult with each other if desired.
2. Determine whether to grant consent and, if so, on what conditions.
3. Indicate your decision from page 3.

Assessment timeframe requirements

4. LINZ's assessment timeframe required decision by 4 September 2023 (having been extended to 100 working days due to consultation with third parties). The Applicant is aware that a decision will be made after the assessment timeframe. The contractual deadline for the Applicant to obtain Overseas Investment consent was previously 22 August 2023 but this has been extended to 3 November 2023.

Toitū Te Whenua Land Information New Zealand Contacts

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A. Summary

5. ERI Timber New Zealand S.á.r.l (the **Applicant**) is a company, incorporated in Luxembourg, for the purposes of making forestry investments in New Zealand. It is ultimately owned by a German pension fund.
6. The Applicant is a new investor which is seeking to invest in New Zealand forestry assets¹.
7. The Applicant seeks consent to acquire approximately 1,313 hectares at s9(2)(b)(ii) [redacted] Hawke's Bay (the **Land**).
8. s9(2)(b)(ii) [redacted]
9. [redacted]
10. The Land is predominantly LUC 6 (91%). It also contains some LUC 3 (8%) and a small amount of LUC 4 (0.3%).
11. The Applicant intends to plant *Pinus radiata* over approximately 1117ha (in addition to approximately 7.8ha of existing plantings) and to operate it as a productive forest, harvesting the trees at approximately 27 years and re-planting over 2 years.
12. LINZ considers the proposed investment will likely benefit New Zealand economically through a greater number of jobs and increased revenue off the Land. LINZ also considers the proposed investment will likely provide some environmental and public access benefits, and may advance a number of significant government policies.
13. Whether the benefits to New Zealand are sufficient to meet the benefit to New Zealand test is a matter for Ministers to determine. Ministers must take a proportionate approach to whether the benefit to New Zealand test is met.
14. For the reasons set out in this report, LINZ considers the investor test has been met.

Key information

Applicant	ERI Timber New Zealand S.á.r.l. Germany: 100%
Vendors	[redacted] [redacted] (New Zealand: 100%)
Land	A freehold interest in approximately 1313 hectares of sensitive land located s9(2)(b)(ii) [redacted] Hawke's Bay, contained in Records of Title s9(2)(b)(ii) [redacted].

s9(2)(b)(ii) [redacted]

Consideration	s9(2)(b)(ii)
Sensitivity	Is more than 5 hectares of non-urban land
Relevant tests	Investor test: s16(1)(a) and s18A Benefit to NZ test – s16(1)(c)(ii) & s16A(1A), forestry activities test (s16A(2)) Farm land offer test: s16(1)(f) National interest test: s16(1)(g)

Timing

15. The Overseas Investment Regulations 2005 specify the total assessment timeframe for this application is 70 working days. This application was extended by 30 working days due to consultation with third parties in accordance with clause 7, schedule 5 of the Overseas Investment Regulations 2005.
16. This application is currently on day 111, therefore the assessment timeframe will not be met. The Applicant's commercial deadline for a decision is 3 November 2023.

B. Decision

Core tests

17. I determine that:

17.1 The 'relevant overseas person' is (collectively):

Relevant overseas person	Role
s9(2)(b)(ii)	
ERI Timber New Zealand S.á.r.l.	Applicant
s9(2)(b)(ii)	

17.2 The 'individuals with control of the relevant overseas person' are:

Individuals with control	Role
s9(2)(a)	

[REDACTED]	s9(2)(a) [REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

17.3 None of the relevant overseas persons and individuals with control of the relevant overseas person have established any of the factors contained in section 18A(4) of the Act.

18. I am satisfied that the investor test in section 18A has been met.

Hon Damien O'Connor

Agree

Disagree

Hon Barbara Edmonds

Agree

Disagree

19. I am satisfied, in relation to the benefit to New Zealand test, that:

- the criteria for consent in sections 16 and 16A have been met;
- the farm land benefit test does not apply;
- the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders); and
- the benefit is proportionate to the sensitivity of the land and the nature of the transaction.

Hon Damien O'Connor

Agree

Disagree

Hon Barbara Edmonds

Agree

Disagree

20. I am satisfied that the farm land or section 12 interest has been offered for acquisition on the open market to persons who are not overseas persons as required by the regulations.

Hon Damien O'Connor

Agree

Disagree

Hon Barbara Edmonds

Agree

Disagree

National interest assessment

21. I note that the overseas investment in sensitive land is not a transaction of national interest under section 20A of the Act and the Minister of Finance has not notified it is a transaction of national interest under section 20B of the Act.

Hon Damien O'Connor

Noted

Hon Barbara Edmonds

Noted

Decision about whether to grant or decline consent

22. My ultimate decision is to:

Hon Damien O'Connor

Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

Grant consent with amended conditions provided on:

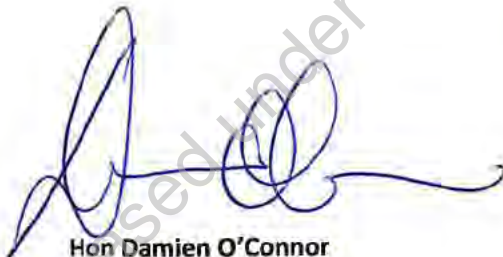
Decline consent

Hon Barbara Edmonds

Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

Grant consent with amended conditions provided on:

Decline consent



Hon Damien O'Connor

Date: 23/9/23



Hon Barbara Edmonds

Date: 2 / 10 / 23

C. Background and proposed transaction

Land

23. The Land is a subdivision of approximately two thirds of s9(2)(b)(ii), a Hawke's Bay beef and sheep farm². The Applicant now seeks consent to acquire the subdivision, comprising approximately 1,313 hectares of farm land.

24. s9(2)(b)(ii)

s9(2)(b)(ii)

25. The Land has a Beef and Lamb classification of Class 4 – North Island hill country.

s9(2)(b)(ii)

26. The Land was identified by the Applicant and its advisors as very suited to forestry on the basis that it is predominantly LUC 6, receives good rainfall and is around s9(2)(b)(ii) from Napier port and approximately s9(2)(b)(ii) from the Whirinaki sawmill. There are some forestry estates in the district, however most of the surrounding land is farm land.

s9(2)(b)(ii)

27. The Land includes 3 woodlots of existing trees planted in 1995 and 2000 (mostly *Pinus radiata* and some *Douglas fir*), totalling 11.43ha.
28. The following Land Use Capability (LUC) class information provides general context as to the productive capacity and physical limitations of the Land. The Land is predominantly LUC 6 but includes LUC 3 and LUC 4. The breakdown is as follows:
- LUC 3 (110ha)
 - LUC4 (4ha)
 - LUC 6 (1202ha)
29. An LUC map showing the classification of the Land is included in **Attachment 4**.
30. The Land does not include residential land. The Land has a hay barn, stock yards and fencing but there is no residence on the Land.
31. The Land contains 'freshwater areas'. Two parcels of land⁵ adjoin the s9(2)(b)(ii) which is a non-navigable river with an average width exceeding 3m⁶. In addition, the bed of the s9(2)(b)(ii) is located within record of title s9(2)(b)(ii).
32. The Land is classified as mostly Moderate Erosion risk (with some parts of the Land being Low Erosion risk) and therefore no resource consent is currently required for afforestation on the Land. An Erosion Susceptibility map can be found in **Attachment 4**.

Transaction and Vendor

s9(2)(b)(ii)

34. The Vendors' wish to sell the Land to s9(2)(b)(ii)
35. Under the sale agreement, the Vendor has the right to graze livestock on the land that is not planted with trees and use the farm buildings from the date of settlement until a date agreed with the Applicant.
36. The Land was advertised⁷ for sale by tender s9(2)(b)(ii) and the parties entered into a sale and purchase agreement on s9(2)(b)(ii). The agreement is subject to obtaining consent under the Act.
37. The consideration is s9(2)(b)(ii)

⁵ s9(2)(b)(ii)

⁶ As such the *usque ad medium filum aquae* rule applies to the stream's centre-line.

⁷ s9(2)(b)(ii)

D. Application of the Act

38. The Land is sensitive because it is non-urban land over 5 ha in size,⁸ so consent is required.⁹ The following criteria for an investment in sensitive land apply to this application:¹⁰
- The investor test must be met.¹¹
 - The benefit to New Zealand test must be met.¹²
 - The farm land must have been offered for sale on the open market¹³, unless exempt¹⁴.
 - You must also note whether the investment is a transaction of national interest and, if so, whether the Minister of Finance has decided that the investment is contrary to New Zealand's national interest.¹⁵
39. In order to satisfy the benefit to New Zealand test, the decision-maker must determine that the overseas investment will, or is likely to, benefit NZ.¹⁶
40. LINZ assesses the investor test in **Part E**, the Investment Plan and benefit to New Zealand test in **Part F**, the farm land offer test in **Part G**, and discuss national interest matters in **Part H**.

E. Applicant and investor test

41. This section describes the Applicant and assesses whether the investor test is met.
42. The Applicant is an overseas person as it was incorporated overseas and is owned by an overseas person.

Ownership

43. The Applicant is a limited liability company incorporated in Luxembourg¹⁷ for the purposes of making forestry investments in New Zealand.
44. The Applicant is wholly owned by s9(2)(b)(ii)

⁸ Table 1, Part 1, Schedule 1 of the Act.

⁹ Under sections 10(1)(a) and 12(a)(i) of the Act.

¹⁰ Set out in section 16(1) of the Act.

¹¹ Section 18A / 16(1)(a) of the Act.

¹² Section 16(1)(c)(ii), 16A(1A) and 16A(2).

¹³ Section 16(1)(f) of the Act.

¹⁴ Section 20(1)(a) or (b) of the Act.

¹⁵ Section 16(1)(g) of the Act.

¹⁶ Section 16A(1)(a) of the Act.

¹⁷ Incorporated 26 July 2022, registration number B270603.

s9(2)(b)(ii)

Released under the Official Information Act 1982

45. s9(2)(a) makes investments on behalf of [REDACTED] a German pension fund which represents employees and firms that participate in the German construction sector and s9(2)(b)(ii) [REDACTED]

46. s9(2)(b)(ii) [REDACTED]

47. A diagram of the intended ownership structure is in **Attachment 2**.

Business Activities

48. The Applicant is recently incorporated and neither it nor its owners have previously invested in New Zealand. The Applicant has a mandate to invest s9(2)(b)(ii) [REDACTED] in New Zealand forestry.

s9(2)(b)(ii) [REDACTED]

[REDACTED]

[REDACTED]

Control

52. The day-to-day management of the investment will be undertaken by Roger Dickie (NZ) Ltd (**RDL**) and its related entity, Forest Management (NZ) Ltd (**FMNZ**), in accordance with the terms of agreements it has with s9(2)(b)(ii) [REDACTED]

s9(2)(b)(ii) [REDACTED]

[REDACTED]

s9(2)(b)(ii) [REDACTED]

[REDACTED]

Relevant overseas person and individuals with control

55. We recommend that the 'relevant overseas person' is (collectively):

Relevant overseas person	Role
s9(2)(b)(ii) [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
ERI Timber New Zealand S.á.r.l.	Applicant
s9(2)(b)(ii) [REDACTED]	[REDACTED]

56. We recommend that the 'individuals with control of the relevant overseas person' (IWC)²³ are:

Individuals with control	Role
s9(2)(a) [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Summary of investor test

57. The relevant overseas persons and individuals with control established none of the factors contained in section 18A(4) of the Act, therefore our conclusion is that **the investor test has been met.**

F. Investment plan and benefit to NZ test

58. This section describes the proposed investment and our assessment of whether it is likely to meet the benefit criteria in the Act.

²³ Section 15.


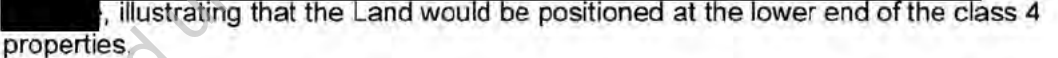
Current state (counterfactual)

59. The Land is currently exclusively used for sheep and beef breeding and finishing as well as an Angus cattle stud. The Land also features a haybarn, fencing, satellite sheep yards and three woodlots. There are no residential structures on the Land.

s9(2)(b)(ii)

Stock type	Number SU equivalent (approx.)	SU conversion	Number of head
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s9(2)(b)(ii)

62. s9(2)(b)(ii)
 
 illustrating that the Land would be positioned at the lower end of the class 4 properties.

63. s9(2)(b)(ii)
 

Data set	Area (ha)	No. of SU	SU/ha
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²⁴ A stock unit is based on the annual feed requirement of a 55kg ewe rearing a single lamb.

²⁵ Provided by Compass Agri Report dated 23 March 2023.

²⁷ This percentage has been calculated by reference to the livestock numbers in 2020, 2021 and 2022, provided in the NZ Real Estate Property Report.

s9(2)(b)(ii)			
Beef and Lamb Class 4	624	5,584	8.8

64. The Vendor has advised that s9(2)(b)(ii) [REDACTED]
65. s9(2)(b)(ii) [REDACTED]
66. s9(2)(b)(ii) [REDACTED] beef and sheep farming operation currently supports approximately 2 FTEs per annum.
67. s9(2)(b)(ii) [REDACTED] sustained very little damage as a result of Cyclone Gabrielle in February 2023 with damage confined to minor slips.
68. The Land includes three small woodlots. The stands of existing trees are summarised in the table below. The Vendor has advised these trees are not registered on the ETS. There are no existing log supply contracts in respect of the existing trees.

Area (hectares)	Species	Age
1.67	<i>Pinus radiata</i>	1995 (28 years old)
3.5	<i>Douglas fir</i>	1995 (28 years old)
6.26	<i>Pinus radiata</i>	2000 (23 years old)

69. Approximately 2.8ha of land on the south-eastern boundary of the Land has been fenced off and forms part of a larger QEII covenant (with the majority on the neighbouring property). In addition, there are some Council-designated Significant Natural Areas of native trees.
70. There are no public access arrangements, wahi tapū or archaeological sites.
71. Access to the Land is via right of way through one of the parcels of land which is being retained by the Vendors (see the map in **Attachment 4**).

Investment plan

72. The Applicant intends to convert most of the unplanted Land into a commercial production forest under the planning and day-to-day management of RDL (and its related entity, FMNZ). RDL has provided advice in relation to the Applicant's investment plan. RDL is one of the 15 largest forest managers in New Zealand and has established over 100 forests in New Zealand. RDL has around 31,000ha under management as at December 2021.
73. PF Olsen (another leading forestry company) has also provided a log yield and carbon sequestration estimate report. In preparing its report, PF Olsen has drawn on its significant forestry experience from similar forestry sites in the Hawke's Bay region as

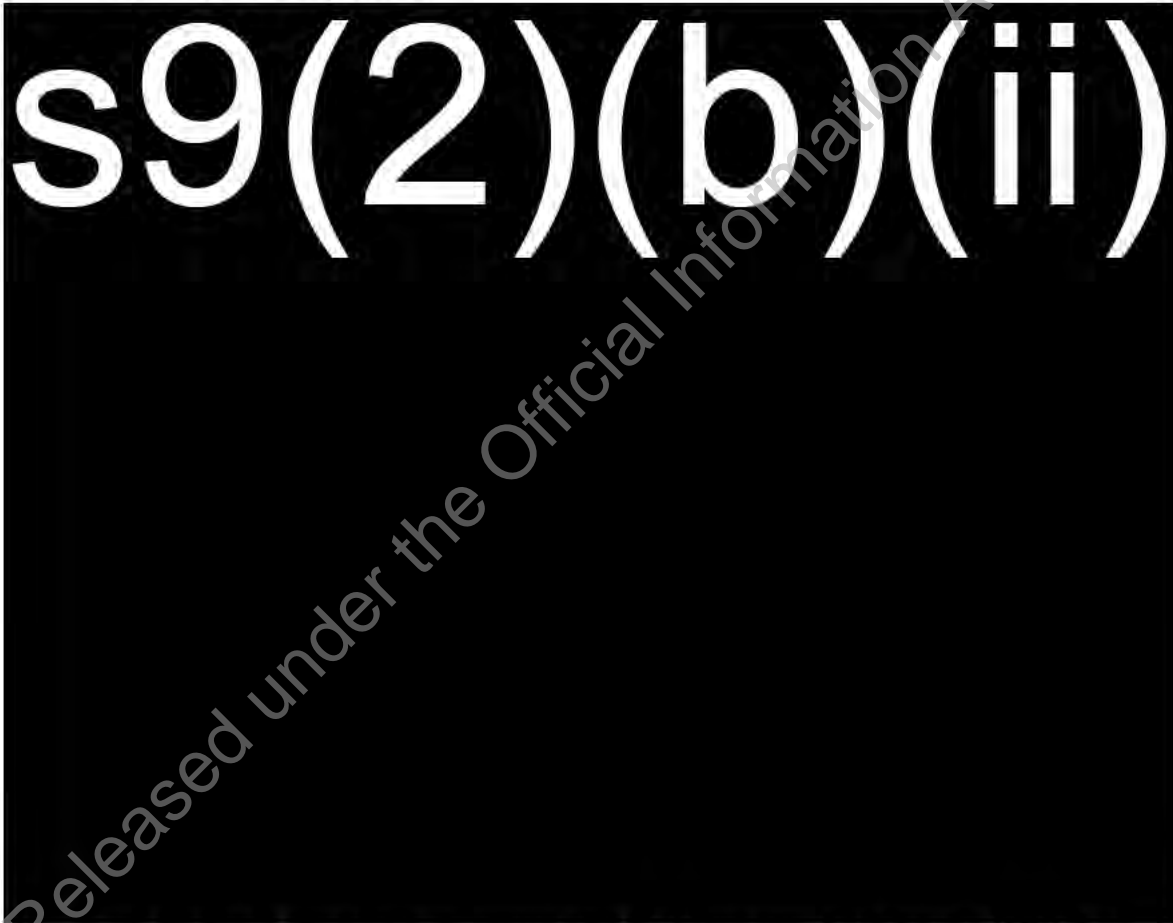
²⁸ This figure is the 'useable' land area, as described in page 18 of the Investment Plan.

well as its own proprietary forecasting model. PF Olsen has also recommended the silvicultural plan for the Applicant's investment plan, discussed below.

74. RDL will contract FMNZ to perform a range of operational services for the Applicant, including forest establishment, silviculture, ongoing operational management of the Forest, ETS administration and sales.
75. The current and proposed use of the Land is set out in the table at **Attachment 5**

Planting and silviculture plans

76. The Applicant intends to plant *Pinus radiata* at 1,000 stems per hectare and thinned to approximately 550 stems per hectare. The planting map below shows the new forest to be planted shaded in green and the existing forest (approximately 7.8ha) shaded in brown. The yellow area on the map shows an area of approximately 4.8ha which will continue to be farmed under a 'give' arrangement by the neighbouring farm due to the location of boundary fences.



77. The Applicant planned to plant approximately 717 hectares in the winter of 2023 and approximately 400 hectares in the winter of 2024 (noting that the commencement of planting will be postponed due to both the timing of this application for consent and, potentially, the seedling shortage following the impact of Cyclone Gabrielle). The Applicant intends that all planting will be completed by 30 September 2025.
78. The trees will be cultivated under a structural regime and will be thinned at year 9 and not pruned. FMNZ has advised that the structural regime is the best silvicultural regime for s9(2)(b)(ii) for the following reasons:
 - it maximises the value of the wood produced and therefore export receipts are increased by approximately 4.2% at age 27 compared to a pruned regime;

- it results in higher timber harvest volumes compared to a pruned regime; and
- carbon storage is forecast to reduce by up to 35% under a pruned regime compared to a structural regime.

Harvesting

79. The trees will be harvested when they are 25-27 years old. The replanting will commence the following year and be completed within 2 years. The existing stands of *Pinus radiata* will be harvested at the same time.

Exporting timber

80. Once harvested, the trees will likely be sold to export markets (via the nearby port of Napier) given the limited domestic processing capacity currently available for unpruned logs in the Hawke's Bay region.
81. The Applicant will export approximately 702k tonnes of export grade wood from the first rotation. This amounts to approximately s9(2)(b)(ii) in export receipts (an average of s9(2)(b)(i) per annum over a 27 year rotation).

Registering trees on the ETS

82. The Applicant will register the new trees to be planted during 2024/2025 in the ETS. NZU sales from the plantation are estimated to be approximately s9(2)(b)(ii) for the first rotation, (an average of s9(2)(b)(i) per annum over a 27 year rotation).

Resource consent

83. No resource consent is required for afforestation as the majority of the land is zoned moderate (yellow) or low (green) in the Erosion Susceptibility Classification map. The proposed planting will comply with the New Zealand Forest Accord, the National Environmental Standards for Plantation Forestry and local planning requirements.
84. Resource consent will be required for earthworks at harvesting. FMNZ has advised that the Land is very suitable for forestry and that earthworks consents will likely be obtained.

Benefits

Farm land benefit test does not apply

85. This investment involves the acquisition of farm land exceeding 5ha, which would ordinarily be subject to the modified farm land benefit test²⁹. The Applicant relies on section 16A(2) of the Act which states that the modified farm land benefit test does not apply if the Ministers are satisfied that:

- the farm land will, or is likely to, be used exclusively, or nearly exclusively, for forestry activities; and
- whenever a crop of trees is harvested on the farm land, a new crop will be, or is likely to be, established on the farm land to replace the crop that is harvested; and
- the non-occupation outcome will, or is likely to, occur in relation to the farm land.³⁰

73. LINZ considers that all three of these requirements are met in this case.

²⁹ Section 16A (1C-1E)

³⁰ Where that outcome in clause 17(3) to (5) of Schedule 2 applies with necessary modifications as if the reference to residential land were a reference to the farm land.

Introduction to benefits

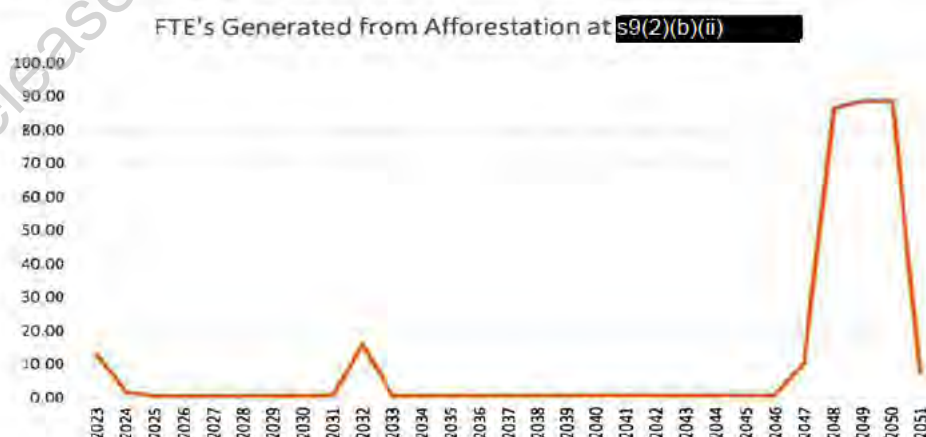
86. In applying the benefit to New Zealand criteria, you are required to consider each of the benefit factors, decide which of them are relevant and determine the relative importance of those relevant factors.
87. The weight and relative importance to be given to each factor is a matter to be determined by you as the decision-maker. This report sets out our assessment to guide your consideration, however it is not determinative.
88. LINZ consulted with DOC, Herenga a Nuku/Outdoor Access Commission and MPI and their feedback is discussed in this report. We deal with the proposed conditions and their rationale after discussing the benefit claims.
89. Factors that we considered were either not relevant to the investment, or the benefit to New Zealand was not sufficient to be relied on, are noted in **Attachment 3**. In this case, the three factors were the Historic Heritage, New Zealand participation factor and the Consequential benefit factor.

Economic factor

90. The major economic benefit resulting from the changed land use from farming to forestry is the likely increase in both jobs and revenue earned off the Land, increased export receipts and increased capital expenditure on the Land.
91. However, in terms of monetary calculations in particular, LINZ considers that these are estimations which are subject to uncertainty, given forestry revenue from timber will not be generated until harvest in around 30 years. In addition, both forestry and farming primary commodity prices can be subject to significant change year by year.

Creation of new jobs

92. The Applicant consulted with Forme Consulting Group Limited (**Forme**) in relation to the estimated full time equivalent (FTE) that could be generated from establishing a production forest at s9(2)(b)(ii).
93. Based on Forme's analysis, the Applicant submits that the investment will create the equivalent of 326 annual FTEs hours during each rotation, creating an average of 11 FTEs annually. The labour requirements for the investment fluctuate significantly with most FTEs engaged in year 1 (land preparation and planting work), year 8/9 (thinning) and from 2047-2051 (harvesting and re-planting). The greatest increase in full-time employment occurs during the harvesting period (resulting in 86-88 FTEs per annum for three years). The graph below demonstrates the peak and trough nature of proposed employment on the Land.



94. The Applicant has not included any labour requirements for pruning the trees as there are limited domestic options for pruned logs in the region.
95. The investment is likely to also create new indirect jobs as a result of the economic activity from the forest industries.
96. All the jobs will be created in the Hawke's Bay region, an area which has a slightly higher unemployment rate than the national average and is still recovering from the effects of Cyclone Gabrielle.
97. In comparison, the Vendor has advised that an average of 2 FTEs per annum³¹ (56 FTEs over 28 years) are required to farm the sheep and cattle, including all shearing and other required contractors.

Increased revenue from log sales and carbon receipts

98. The Applicant submits that the total gross sales from sawlogs from the Land will generate a total of an average of around [s9(2)(b)(ii)] per annum, totalling [s9(2)(b)(i)]³² over 27 years, from the first rotation of trees.
99. In addition, it is projected the forest will produce around on average of [s9(2)(b)(ii)] per annum over 27 years, totalling [s9(2)(b)(ii)] in NZU sales through the Emissions Trading Scheme. This figure is based on selling 563.8 tonnes/ha at [s9(2)(b)(ii)] per tonne.
100. In comparison, the Vendor has advised that the gross income averaged over the previous three years from the beef and sheep operation on the Land is approximately [s9(2)(b)(ii)] per annum which totals around [s9(2)(b)(ii)] over 27 years. Therefore, the Applicant submits there is a net increase in revenue from the Land on average of [s9(2)(b)(ii)] per annum which totals around [s9(2)(b)(ii)] over 27 years.
101. However, LINZ notes that the Land has been farmed conservatively in recent years and has previously carried more stock units than are currently carried.³³

Increased export receipts

102. The Applicant submits the investment will result in a significant increase in export receipts generated from the Land. The Applicant intends to export most sawlogs through the port of Napier to China. The projected total export figure is around [s9(2)(b)(i)]³⁴ by 2050.
103. By comparison, the Applicant advises that the export receipts from the current beef and sheep farming is around [s9(2)(b)(ii)] [REDACTED]
104. The following table illustrates the net increase in export receipts generated by converting the Land into productive forest from its current state.

Export receipts	Total value over 27 years	Total value annually
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³¹ LINZ notes that the figure of 2 FTEs per annum is considered low for a farm of this size. PwC has provided as estimate that a farm of 1,000 hectares would usually have an FTE count of about 7 (noting that this farm is 1,313 hectares).

³² Based on the total At Wharf Gate price and assuming a growth rate of the new forest of approximately 631m³/ha at age 25 and 717m³/ha at age 27, totalling approximately 702,266 tonnes of wood. This log yield is consistent with PF Olsen Limited's projections.

[s9(2)(b)(i)]

³⁴ FMNZ advised that the forest owner sells the log to the exporter on an at wharf basis and the exporter on-sells them in USD. The ocean freight and New Zealand port costs are deducted from this USD sales revenue figure.

³⁵ Discussed in the Compass Agri Report at page 5.

Forestry	s9(2)(b)(ii)
Sheep and beef products	
Net increase	

Increased investment in the Land

105. The Applicant estimates that the establishment and management of the new forest will result in total expenditure of an average of **s9(2)(b)(ii)** per annum, totalling **s9(2)(b)(ii)** million over 27 years. The capital expenditure involves payments to local suppliers of good and services (such as plant nurseries, forest managers, pest management, logging, roading and transport contractors) during the first rotation of trees.
106. In comparison, the Vendor's average total farm working expenses are approximately **s9(2)(b)(ii)** per year, totalling approximately **s9(2)(b)(ii)** over a 27 year rotation period.
107. On this basis, the Applicant will spend approximately an average of **s9(2)(b)(ii)** per annum, totalling **s9(2)(b)(ii)** more on the Land than it would on average from continuing to farm the Land. The funds will be spent domestically and regionally and will benefit the Hawke's Bay region.

Carbon sequestration and reduction in emissions

108. Carbon sequestration will increase over the life of the forest. PF Olsen has calculated that the new plantings will absorb approximately 1.1million tonnes of carbon dioxide over the 27 year rotation.
109. LINZ notes that there is uncertainty whether the investment will result in net reduction of CO2 in NZ. Given the Applicant plans to register the land in the ETS, the carbon reductions may be on-sold to other emitters, meaning the total net carbon emissions in NZ may not decrease.
110. The Applicant submits that the conversion of the Land from farm land into productive forestry will result in a reduction in emissions. The Compass Agri report advises that the total farm emissions currently produced from sheep and beef grazing on the Land is approximately 2,782 tonnes per annum. Therefore, removing sheep and cattle from the Land will result in approximately 75k tonnes of emissions during the 27 year rotation.
111. LINZ notes that the grazing activity could be moved elsewhere and therefore the associated emissions from the animals would simply be relocated to another property.
112. The Applicant submits that the combined effect of the carbon sequestration claims and the reduction in emissions from the removal of grazing, means the investment will result in a total net emissions reduction of more than 1.175million tonnes of carbon dioxide per each rotation.

Environmental factor

New wetland area

113. The Applicant will establish a new 15 ha wetland area. The area will include native plantings and will benefit the natural environment by increasing biodiversity. The planting is planned for the winters of 2023/2024 and will cost approximately **s9(2)(b)(ii)**. The map below shows the location of the new wetland area in light blue.

s9(2)(b)(ii)

Indigenous vegetation protection measures

114. The Applicant will preserve approximately 38ha of native bush. This includes a stand of native *Rimu* and *Tawa* trees, which has been designated a Significant Natural Area by the Central Hawke's Bay District Council. In addition, the 2.81ha which is protected under QEII Covenant on s9(2)(b)(ii) will remain protected.
115. The Applicant will undertake an on-going pest control programme on the Land in relation to goat, deer and possum, at a cost of approximately s9(2)(b)(ii).
116. DOC made certain recommendations for the Applicant in respect of the Land but the Applicant has not adopted any of the recommendations. These recommendations are included in **Attachment 7**.
117. MPI advised that while there is no evidence of fish spawning areas directly in the waterways within the Land, there are two Category B areas (higher sensitivity to disturbance) in close proximity. Given the scale of the investment, MPI advised that it would be prudent for the Applicant to seek a fish survey in relation to fish spawning areas in the s9(2)(b)(ii) Stream.
118. The Applicant has advised that a fish survey is not required because FMNZ will undertake their own survey by carrying out eDNA samples of s9(2)(b)(ii) Stream. In addition, the Applicant advised that the NES-PF standard requires a 10m setback from the stream which will provide further protection to the waterway and that the proposed planting will increase soil stability and reduce the risk of future slips and sedimentation.

Public access

119. The Applicant consulted directly with Herenga a Nuku/Outdoor Access Commission in advance of submitting its application for the investment to Overseas Investment. Herenga a Nuku recommended the following:

- the offer of the bed of the s9(2)(b)(ii) Stream to the Crown;
 - creating a walkway with signage over the proposed forestry roads; and
 - registration of esplanade strips along the s9(2)(b)(ii) Stream to allow enduring public access.
120. The bed of the s9(2)(b)(ii) Stream will be offered to the Crown because it has been identified as a fresh or seawater area³⁶.
121. The Applicant has offered, to operate a permit system (administered by FMNZ) to allow public access to the Land for recreational purposes, including trail running, horse riding and cycling. A member of the public may contact FMNZ and, if it is appropriate and no forestry operations are taking place, FMNZ will issue the person with a permit and a gate key.
122. The Applicant considers that the permit access system is sufficient in terms of providing public access and that the registration of esplanade strips is not appropriate in the circumstances. In particular, the Applicant considers there is a significant health and safety risk in allowing unrestricted public access via esplanade strips when forestry operations are in progress. The value of the permit system for public access is that it allows public confidence that the appropriateness of access has been assessed by FMNZ at a particular time.

Significant Government Policy

123. The Applicant has submitted that the proposed conversion will give effect to or advance a number of significant Government policies, which are set out in the Benefits Table below.

Summary assessment: benefit to NZ test

124. This table assesses the benefits to NZ likely to result from the investment and the relative weight to be given to each.
125. LINZ notes that in the case of carbon and climate benefits, this falls within all of the economic, environmental, and government policy benefits. LINZ also notes that this will be common to all farm to forestry conversion applications. LINZ has therefore created a separate sub-table for carbon and climate change benefits.

ECONOMIC BENEFITS	
Strength	Moderate
	<p>LINZ considers that this factor should be given a Moderate weighting due to the likely significant increase in revenue from the Land and from export receipts, an increase in jobs and greater expenditure on the Land as a result of the investment. LINZ considers that this contributes to a Moderate weighting for the overall Economic Benefit.</p> <p>LINZ notes though that, in terms of economic returns, it is difficult to compare the potential revenue from productive forestry versus beef and sheep farming given the long term</p>

³⁶ The original sensitive land certificate provided by the Applicant to Herenga a Nuku in December 2022 stated that there was no evidence of internal streams of waterways ... that exceed the average width of 3.0m". Herenga a Nuku challenged the accuracy of that conclusion and a new sensitive land certificate was subsequently issued, recognising the Huatokitoki Stream as a qualifying fresh or seawater area.

	nature of the investment and the volatility of primary commodity markets and export conditions ³⁷ .	
Creation of new jobs		
Applicant's claims: what they intend to do	Current state	LINZ analysis
The Applicant estimates the investment will create an average of 11 FTEs per annum over the first rotation off the 1,124ha forest – approximately 1FTE per 100ha.	The farming area of 1,256ha currently supports an average of 2 FTEs per annum to farm the sheep and cattle, including shearing and all required contractors. This equates to 0.2 FTEs per 100 ha. (5 FTEs per 100ha).	LINZ considers the conversion of the Land to forestry will create more direct and indirect jobs within the Hawke's Bay region than from the current farming operation. LINZ notes these jobs will be highly cyclical given the peaks of labour required at point of planting, thinning, harvesting and re-planting. LINZ also considers the types of jobs created are likely to be better paying than standard farm labouring jobs.
Increased productivity		
Applicant's claims: what they intend to do	Current state	LINZ analysis
Gross timber revenue (likely to be mostly exports) expected to be around s9(2)(b)(ii) from the first rotation. An additional s9(2)(b)(ii) of carbon revenue is expected from the first rotation. Combined, the total new revenue	Gross income averaged over previous 3 years from 1256 beef and sheep farming ha was s9(2)(b)(ii) per annum s9(2)(b)(ii) per 100ha). This equates to approximately s9(2)(b)(ii) over 27 years).	LINZ considers there is likely to be a significant increase in revenue and export receipts generated from the Land as a result of its conversion to forestry.

³⁷ However, LINZ notes that the FwC model suggests that the 'value-add (\$m)' for forestry from a 1,000ha block is estimated at 1.7, compared to 0.7 for sheep and beef (more than double).

<p>is expected to be s9(2)(b)(ii). If averaged out over 27 years this equates to s9(2)(b)(ii) per annum (approximately s9(2)(b)(ii) per 100ha)</p>		
Increased export receipts		
Applicant's claims: what they intend to do	Current state	LINZ analysis
<p>Sawlogs will be exported mostly overseas through the port of Napier. Estimated export receipts by 2050 from the first rotation will total s9(2)(b)(ii) which averages s9(2)(b)(ii) per annum over 27 years.</p>	<p>Based on current earnings from the export of beef and sheep products, the total estimated export receipts over 27 years are s9(2)(b)(ii) which averages s9(2)(b)(ii) per annum.</p>	<p>LINZ considers there is likely to be a significant increase in export receipts generated from the Land as a result of its conversion to forestry (even if the Land was farmed more intensively).</p>
Increased capital expenditure		
Applicant's claims: what they intend to do	Current state	LINZ analysis
<p>The Applicant expects to spend approximately s9(2)(b)(ii) in establishing and managing the new forest for the first rotation of 1124ha (around s9(2)(b)(ii) per 100ha).</p>	<p>The average total farm working expenses are approximately s9(2)(b)(ii) per annum over a farmed area of 1256ha (totalling s9(2)(b)(ii) over 30 years). This equals approximately s9(2)(b)(ii) per 100ha.</p>	<p>LINZ considers that the cost of establishing and operating the new forest will likely require considerably more investment compared to the farming operation over the same period.</p> <p>In terms of net increase in expenditure per 100ha, this will be approximately s9(2)(b)(ii) more per year).</p>

Special conditions	<p>Special condition 1-5 will require forestry activities to be carried out on the Land, creating the economic benefits above.</p> <p>Special condition 6 will prevent the Applicant from registering any crop of new or replacement trees as 'permanent forestry' in the ETS scheme.</p>
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CARBON AND CLIMATE CHANGE BENEFITS		
Strength	Moderate	
	<p>The sequestration of carbon is likely to benefit New Zealand environmentally and economically. It is also likely to advance significant Government policies. Whilst this benefit is likely to be moderate relative to the sensitivity of the land being acquired, the amount of carbon sequestered is unlikely to significantly advance the Government policies.</p>	
Environmental – reduction of emissions and carbon sequestration		
Applicant's claims – what they intend to do	Current state	LINZ analysis
<p>The cessation of farming and the planting of additional trees results in climate change benefits through the reduction of harmful livestock emissions and the sequestration of carbon (estimated at approximately 1.1 million tonnes of carbon by year 30) through additional trees.</p>	<p>The Land is mostly used for sheep and beef farming which produce farm emissions (estimated at 2,782 tonnes per annum).</p>	<p>LINZ considers conversion to forestry will lead to an increase in the amount of carbon stored and a likely reduction in farm emissions (though there is a possibility that stock may be moved elsewhere).</p>
Economic		
Applicant's claims: what they intend to do	Current state	LINZ analysis
<p>Carbon revenue is expected to be around s9(2)(b)(ii) from the first rotation.</p>	<p>There may be carbon revenue from the existing 7.8ha of trees.</p>	<p>Additional carbon revenue is likely to add to the increased revenue from the Land. It is likely that this carbon revenue will also provide additional tax receipts.</p>

Government Policies – climate change³⁸

Different applicants have cited different government climate policies which are supported by afforestation. As these are the same for all applications, LINZ has included the following policies (LINZ is mindful that there may be others which have not been identified by the Applicant)

There is uncertainty whether the investment will result in net reduction of CO₂ in New Zealand. Given the Applicant plans to register the land in the ETS, the carbon reductions may be on-sold to other emitters, meaning the total net carbon emissions in New Zealand may not decrease. There is also a possibility the livestock on the Land could be moved to another farm.

Government Emissions Reduction Plan – 2022³⁹

This Plan seeks to implement the Climate Change Response (Zero Carbon) Amendment Act 2019 which sets a target for New Zealand to reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050.

Applicant's claims	Current state	LINZ analysis
The Land will store additional carbon (a total of around 1.1 million tonnes of carbon by year 30) and reduce harmful livestock emissions.	The Land is currently grazed by emission producing livestock (2,782 tonnes per annum) and there are far fewer trees to store carbon.	LINZ considers that Ministers are best placed to determine the weight to be given to this policy. LINZ notes that the Plan states " <i>Careful planning of the right forests, in the right place, is required to ensure the benefits of forestry and the full supply chain are realised</i> ".

One Billion Trees programme⁴⁰

This 2019 programme also forms a part of the Government's goal to move towards a low emissions economy. LINZ notes though that this programme also stresses the need for the right tree, in the right place, for the right purpose (paragraph 8).

Applicant's claims	Current state	LINZ analysis
The Applicant intends to plant an additional 1,117ha of new trees (approximately 1.1 million seedlings) on the	There are existing trees on the Land but the number will increase significantly.	LINZ considers that it is up to Ministers to decide whether a new forest is in "the right place" for

³⁸ LINZ notes that there are likely to be other policies which have not been claimed by the Applicant (such as environmental policies relating to freshwater etc) which are likely to be supported through afforestation and the removal of stock from the Land.

³⁹ The relevant chapter within the Plan relating to forestry is Chapter 14 - <https://environment.govt.nz/publications/aotearoa-new-zealands-first-emissions-reduction-plan/forestry/>.

⁴⁰ <https://www.mpi.govt.nz/dmsdocument/30942-The-One-Billion-Trees-programme-Cabinet-paper>

Land (subsequently thinned to approximately 614,000 stems). Erosion control is also an objective of the programme ⁴¹ and the Applicant submits that the planting of additional trees will assist with this.	The erosion classification of the Land is mostly Moderate with some areas Low risk.	the purposes of the programme. LINZ considers the planting of additional trees will advance this programme provided they are planted in the right place.
Special conditions	Special Conditions 1-5 will require the Applicant to carry out forestry activities on the Land which will likely lead to the reduction of emissions and the sequestration of greater amounts of carbon.	

ENVIRONMENTAL BENEFITS		
Note that carbon and climate environmental benefits are incorporated within the Government Policy benefit factor above.		
Strength	Weak	
	LINZ considers the establishment of a 15ha wetland area with native plantings, a pest control programme and the environmental impact of increasing carbon sequestration and reducing methane emissions contribute to our assessment of a Weak weighting for this benefit factor.	
Establish a wetland area		
Applicant's claims: what they intend to do	Current state	LINZ analysis
The Applicant will establish a 15ha wetland area on the Land with native plantings.	There is no established wetland area on the Land.	The establishment of a wetland with native planting is likely to benefit the environment by increasing the biodiversity of the area. In addition, the Applicant expects to spend approximately s9(2)(b)(ii) establishing the wetland.
Protection of indigenous vegetation		

⁴¹ Part of the funding for the Programme has been reallocated from the Hill Country Erosion Programme.

Applicant's claims: what they intend to do	Current state	LINZ analysis
<p>The Applicant will undertake a professional on-going pest control programme in relation to goat, deer and possum, spending approximately s9(2)(b)(ii) over the first rotation for the new forest.</p>	<p>The Vendor advises there is some pest control on the Land but it is limited to farm staff shooting pests on a regular basis.</p>	<p>The establishment of a professional, managed pest control programme on the Land will benefit the local environment, particularly the native flora and fauna in the area.</p>
Applicant's claims: what they intend to do	Current state	LINZ analysis
<p>The Applicant will preserve approximately 38ha of native bush. This includes a stand of native <i>Rimu</i> and <i>Tawa</i> trees, which has been designated a Significant Natural Area by the Central Hawke's Bay District Council.</p>	<p>The Applicant has indicated stock are currently free to roam and graze on the existing areas of native bush.</p>	<p>Areas of native bush will be protected under NES-PF as a result of its conversion to forestry and the removal of stock from the area. LINZ considers the native bush areas will likely remain if the proposed investment does not proceed but acknowledges the removal of stock from the area should offer some protection.</p>
Special conditions	<p>Special condition 10 will require the establishment of a 15ha wetland area containing native plantings within 3 years of settlement.</p> <p>Special condition 11 will require the establishment of a pest control programme targeting goats, deer and possum within 2 years of settlement.</p>	

PUBLIC ACCESS	
Strength	Weak

	We consider the establishment of a permit system to enable public access to the Land for recreational activities represents a benefit to New Zealand however we consider the applicable weighting is Weak .	
Recreational public access		
Applicant's claims: what they intend to do	Current state	LINZ analysis
The Applicant will allow the public to access the Land for recreational purposes using a permit system.	No current public access over the Land.	The establishment of a permit system to access the Land for recreational purposes will open up an area to the public which is not currently available.
Special Conditions	Special condition 13 will require the Applicant to provide a permit access system to the public over the Land.	

ADVANCING SIGNIFICANT GOVERNMENT POLICY		
Strength	Weak	
	LINZ considers that Ministers are best placed to determine the strength to be given to the advancement of government policies, including those in relation to carbon benefits, especially given these will be common to all farm to forest conversions. LINZ is also mindful that not all relevant policies are likely to have been identified by applicants.	
Fit for a Better World – Accelerating Our Economic Potential Roadmap – 2020⁴²		
This is the Government's roadmap (released by MPI) for accelerating the economic potential of the primary sector primarily through building exports, reducing biogenic methane and enhancing freshwater, and growing employment in the primary sector.		
Applicant's claims	Current state	LINZ analysis
The Investment advances the Roadmap by:	The Land currently produces fewer export earnings, , produces livestock emissions, has fewer trees	LINZ considers that Ministers are best placed to determine the

⁴² <https://www.mpi.govt.nz/dmsdocument/41031-Fit-for-a-Better-World-Accelerating-our-economic-potential>. The importance of the forestry industry to realising the Government's aim in the Roadmap was confirmed by then Forestry Minister Stuart Nash in the new vision for forestry reflected in the Future of Forestry booklet <https://www.mpi.govt.nz/dmsdocument/44905-Future-of-Forestry>

<ul style="list-style-type: none"> • increasing export earnings (by around double); • creating employment; • removing livestock emissions. 	<p>to store carbon and employs fewer persons.</p>	<p>weight to be given to this policy.</p> <p>LINZ considers that it is likely that the investment will advance the Roadmap for the reasons set out in the Applicant's claims</p>
<p>Special conditions</p>	<p>Special Conditions 1-5 will require the Applicant to carry out forestry activities on the Land.</p>	

Consultation and submissions about the investment

126. No third-party submissions were sought or received in relation to this application.
127. In undertaking our assessment, we consulted with the Outdoor Access Commission (OAC), Ministry for Primary Industries (MPI) and the Department of Conservation (DOC). We have dealt with any feedback we received on specific proposals in the body of the assessment report above.

Proposed conditions and rationale

128. The afforestation of the Land is the primary action from which all the specific benefits claims flow.
129. In addition to using the Land for forestry activities (including planting, maintaining, harvesting and replanting a crop of trees), the draft conditions of consent also:
- prohibit the Applicant and related persons from occupying the Land for residential purposes;
 - allow temporary grazing of the Land, until planting is completed;
 - require the Applicant to comply with the National Environmental Standards for Plantation Forestry, giving LINZ the ability to take action against the Applicant for breaches of legislated minimum forest practice standards;
 - require consultation with the local authority with regard to the implementation of slash control on the Land and undertake any recommended measures;
 - prohibit registering the crop of trees as permanent forestry under the ETS (whilst allowing native forestry, such as riparian margins, to be registered as permanent forestry if they qualify);
 - require the Applicant to establish a 15ha wetland on the Land;
 - require the Applicant to undertake professional pest control on the Land; and
 - require better access to the Land for members of the public through a new permit system.

Conclusion – benefit to NZ test

130. The benefit to New Zealand test is met if the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders) having regard for the factors in s 17.

131. The Act requires you to consider all the factors in s 17(1) to determine which factor or factors are relevant to the overseas investment and whether the benefit to New Zealand test is met having regard to those relevant factors. Finally you must determine the relative importance to be given to each relevant factor or particular benefit arising under a factor. 'Importance' is essentially your assessment of the importance of that benefit factor while the weight you give the benefit is likely to depend on its scale, importance and certainty.

Proportionality

132. The Act requires a proportionate approach to whether the benefit test is met, by taking into account whether the benefit that is likely to occur is proportionate to:

- the sensitivity of the land (for example, the importance to New Zealand of the purpose for which the land is used, the size and value of the land, any sensitive features associated with the land, and the level of public interest that the public have in the land);
- the nature of the overseas investment transaction (for example, the estate of interest being acquired, whether the estate or interest is temporary or permanent, and the degree of overseas ownership or control of the land or of the estate or interest in the land).

133. Matters indicating diminished sensitivity of the Land are likely to include:

- the Land is 91.3% LUC 6 (well suited to forestry);
- approximately 0.6% of the Land is already planted in trees;
- the Land is sensitive only because it is non-urban land larger than 5ha; and
- the only offers received for the entirety of the Land were from forestry companies.

134. Matters indicating increased sensitivity of the Land are likely to include:

- the Land is farm land;
- public interest in the use and conversion of farm land;
- the size of the Land is large;
- the Applicant is acquiring a freehold interest;
- the Applicant is entirely overseas owned;
- the Land will be converted to an alternative (non-farming) use;
- s9(2)(b)(ii) and
- the Land contains part of and adjoins a freshwater area (being the s9(2)(b)(ii) Stream).

135. LINZ considers that, on balance, the Land is at the 'moderate to high' end of the spectrum for sensitivity for farm land and is likely to have moderate public interest for the following reasons:

- the Land forms the majority of s9(2)(b)(ii) [REDACTED]
- the size of the Land is relatively large; and
- there are some forestry estates in the district, however most of the surrounding land is farm land.

Conclusion

136. Ministerial judgement is required to determine the importance and weighting that should be given to the benefits likely to occur as a result of this investment and whether they are proportionate to the land being acquired.

G. Farm land offer test

137. Because the Land is farm land,⁴³ LINZ notes that it was advertised for sale on the open market with the required information for a period exceeding 30 working days as follows:

- Internet - www.NZR.nz, www.realestate.co.nz, www.trademe.co.nz, www.farmersweekly.co.nz⁴⁴,
- Print – “Hawke’s bay Today”, “Farmer’s Weekly”, “New Zealand Herald”, “CHB Mail”⁴⁵.

138. In addition, the Land was advertised using roadside signage, radio advertisement and emails were sent to NZR’s professional networks.

139. s9(2)(b)(ii) [REDACTED]

141. A copy of one of the ads is included as **Attachment 6**.

H. Not a transaction of national interest

142. The investment does not involve a transaction of national interest under the mandatory criteria of the Act.⁴⁶ This is because the investment does not involve a non-NZ government investor, or an investment in a strategically important business (as defined in the Act).

143. LINZ has not referred this transaction to the Minister of Finance for him to call it in for a national interest assessment on a discretionary basis.⁴⁷ He has therefore not declined consent to the transaction.

⁴³ Currently being used as a traditional beef and sheep breeding and finishing farm (see the definition in s 6 of the Act).

[REDACTED]

⁴⁶ Under s 20A of the Act.

⁴⁷ Section 20B of the Act

144. LINZ is directed⁴⁸ that the starting point is the assumption that overseas investment is in New Zealand's national interest and that LINZ should only seek the Minister of Finance to exercise his discretion for a national interest assessment if the proposed investment:
- could pose risks to New Zealand's national security or public order;
 - would grant an investor significant market power within an industry or result in vertical integration of a supply chain;
 - has foreign government or associated involvement that was below the 10 per cent threshold for automatic application of the national interest test, but granted that government (and/or its associates) disproportionate levels of access to or control of sensitive New Zealand assets;
 - would have outcomes that were significantly inconsistent with or would hinder the delivery of other Government objectives;
 - raises significant Treaty of Waitangi issues, or
 - relates to a site of national significance (e.g. significant historic heritage).
145. LINZ does not consider that this investment engages any of these risk factors.

I. Conclusion

146. After considering the application, our view is that:
- the investor test has been met;
 - the farm land advertising requirements have been met;
 - the transaction is not considered to be a transaction of national interest;
 - the benefit to New Zealand test is a matter demanding Ministerial judgment.
147. The nature of the Applicant's claims require the decision makers to exercise discretion and balance the importance of significant government policies against each other. Consequently, LINZ leaves the decision to grant or decline consent to the decision makers.
148. If you decide to grant consent, LINZ refers you to **Attachment 1** to review the Proposed Decision (including consent conditions), and from page 3 of this Assessment Report to record your decision.

s9(2)(a)

Anneke Turton
Manager, Applications
Overseas Investment -LINZ

Date: 19 September 2023

⁴⁸ Ministerial Directive Letter (24 November 2021).

J. List of Attachments

1. Proposed Decision
2. Intended ownership structure
3. Other benefit factors
4. LUC, map, Erosion susceptibility map and Spatial map showing location of easement
5. Current and Proposed Use table
6. Advertising example
7. Consultation with DOC

Released under the Official Information Act 1982

ATTACHMENT 1 PROPOSED DECISION

Consent for Overseas Person to Acquire Sensitive New Zealand Land

Read this consent carefully - you must comply with all the conditions. If you do not, you may be required to dispose of the land and/or be subject to fines or other penalties.

Consent

Decision date: [date]

The following people have been given the following consent:

Case	202300219
Consent	The Consent Holder may acquire the Land subject to the Conditions set out below.
Consent Holder/s	ERI Timber New Zealand S.á.r.l. (Luxembourg company number B270603) (You or the Consent Holder)
Land	A freehold interest in approximately 1312.9639 hectares of sensitive land located s9(2)(b)(ii) [REDACTED] contained in records of title s9(2)(b)(ii) [REDACTED].
Timeframe	You have until 31 October 2024 to acquire the Land.

Conditions

Your Consent is subject to the Special conditions, Standard Conditions and Reporting conditions (**Conditions**) set out below. You must comply with them all. Be aware that if you do not comply with the Conditions you may be subject to fines or other penalties, and you may also be required to dispose of the Land.

In the Consent and the Conditions, we refer to Toitū Te Whenua Land Information New Zealand as **LINZ, us or we**.

Definitions

Act means the Overseas Investment Act 2005.

Crop of trees means:

- the **new crop of trees** that will be established under special condition 1,
- any **existing crop of trees** already established on the Land;
- any **replanted crop of trees** replanted in accordance with special condition 5,

but for the avoidance of doubt excludes trees that were not planted with the intention of being harvested to provide wood, such as native species planted in riparian margins.

DOC means Department of Conservation.

Existing Trees means the commercial trees planted on the Land at the time of acquisition by the Consent Holder.

Forestry Activities has the same meaning as in the Act and, for the avoidance of doubt, excludes permanent forestry.

Forestry Land means the parts of the Land which you intend to use exclusively, or nearly exclusively, for Forestry Activities (which, for the avoidance of doubt, may include areas of native bush, and reasonable allowances for roads, setbacks, buffer areas, riparian planting and other land reasonably deemed "non-productive").

NES-PF means the National Environmental Standards for Plantation Forestry.

New Trees means the pinus radiata trees to be planted by the Applicant which are not the Existing Trees.

Regulations means the Overseas Investment Regulations 2005.

WAAN means a water areas acquisition notice.

Any term or expression that is defined in the Act or Regulations and used, but not defined, in this consent has the same meaning as in the Act or Regulations.

Special Conditions

You must comply with the following **special conditions**. These apply specifically to this Consent and include conditions that we must impose under the Act.

Details	Required date
Automatic condition: Fresh or Seawater Areas	
You must, in relation to the fresh or seawater area(s), comply with all provisions of Schedule 5 of the Act.	By the times set out in schedule 5.
You must provide a draft WAAN to FSAapplications@linz.govt.nz	At least 15 working days before settlement.
You must lodge the WAAN on the title.	Immediately following the transfer and before registering any other interests on the title.
Special condition 1: Land must be planted with trees	
You must establish a new crop of trees on the Land covering at least 1,000 hectares.	By 31 October 2026
If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.	
Special condition 2: Forestry Land must be used for forestry activities	
The Forestry Land must be used exclusively, or nearly exclusively, for Forestry Activities except as otherwise permitted by these Conditions.	At all times
If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.	
Special condition 3: Minimum silvicultural practices	
The crop of trees must be maintained in accordance with minimum silvicultural practices. In particular, the crop of trees must be planted at approximately 1,000 stems per hectare and thinned to a maximum of 550 stems per hectare.	At all times

Details	Required date
<p>If you do not comply with this condition, Standard Condition 6 will apply, and we may require you to dispose of the Land.</p>	
<p>Special Condition 4: Crop of trees must be harvested</p>	
<p>You must ensure that no more than 5% (by area) of the crop of trees on the land is older than the species age limit.</p> <p>For <u>pinus radiata</u>, species age limit is 35 years.</p> <p>For <u>all other species</u>, the species age limit is as determined by LINZ.</p>	<p>At all times</p>
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
<p>Special condition 5: Trees must be replanted after harvest</p>	
<p>You must replace each crop of trees (Existing Trees and New Trees) which you harvest with a new crop of trees (Replant). You may Replant on a like-for-like basis or on any similar basis.</p> <p>This condition does not require you to:</p> <ol style="list-style-type: none"> 1. replant the Land with the same species of tree or use the same silvicultural regime; or 2. do anything in breach of any other Act, regulation, rule, bylaw, or that is otherwise contrary to law. <p>This condition does not limit Special Condition 2 (Forestry Land must be used for forestry activities) or Special Condition 3 (Minimum silvicultural practices).</p>	<p>Within 3 years of harvest (or as otherwise permitted by this condition),</p>
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
<p>Special condition 6: ETS registration</p>	
<p>You must not register the crop of New Trees or any replacement trees on the Land as “permanent forestry” (or in any category similar to permanent forestry) in the Emissions Trading Scheme established under the Climate Change Response Act 2002 (or any replacement for that scheme or enactment).</p>	<p>At all times</p>

Details	Required date
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
<p>Special condition 7: Non-occupation outcome</p>	
<p>None of the following people may occupy the Land acquired under this consent for residential purposes or as otherwise permitted by Special Condition 9 (Permitted temporary activities):</p> <p>(a) You;</p> <p>(b) Any overseas person with a more than 25% ownership or control interest in any of the people in (a);</p> <p>(c) Any overseas person who occupies the Land other than on arm's length terms⁴⁹;</p> <p>(d) Any overseas person who has a beneficial interest in, or beneficial entitlement to, the relevant interest in the Land;</p> <p>(e) If (a) is a trust, any beneficiary (direct or indirect) who may benefit under the trust at the trustees' discretion.</p> <p>This condition does not apply to the extent that accommodation is being provided for the purpose only of supporting forestry activities (as defined in section 16A(9)) being carried out on the Land.</p>	<p>At all times</p>
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
<p>Special condition 8: Permitted temporary activities</p>	
<p>The Land may be grazed prior to being planted with a crop of trees in accordance with Special Condition 1 (Forestry Land must be planted with trees)</p>	<p>Until 31 October 2026</p>
<p>Special condition 9: Comply with NES-PF</p>	
<p>You must comply with NES-PF in respect of the Land.</p>	<p>At all times</p>

⁴⁹ 'At arms length terms' has the meaning in clause 17, Part 5, Schedule 2 of the Act. In summary it means terms, for example under a lease (or other contract), that are on a reasonable commercial basis.

Details	Required date
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
<p>Special condition 10 – Establish a wetland on the Land</p>	
<p>You must spend a minimum of s9(2)(b)(ii) establishing a 15 hectare wetland area on the Land, containing native plantings.</p>	<p>By 31 October 2027</p>
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
<p>Special condition 11 – Undertake a pest control programme on the Land</p>	
<p>You must undertake an on-going pest control programme on the Land in relation to the control of goat, possum and deer.</p>	<p>At all times</p>
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
<p>Special condition 12 – Slash control measures</p>	
<p>You must:</p> <p>(a) consult with the Central Hawke's Bay District Council and Hawke's Bay Regional Council with regard to the implementation of slash control on the Land and</p> <p>(b) implement any slash control measures recommended by the territorial authority.</p>	<p>(a) By 31 July 2025</p> <p>(b) At all times</p>
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
<p>Special condition 13: Deliver better access to the Land</p>	
<p>You must:</p> <p>(a) provide members of the public the right to enter and use the Land for non-destructive recreational purposes. Such access obligation shall be limited to the provision of access by persons on foot, horseback or bicycle during daylight hours and may exclude the use of firearms and the accompaniment of dogs. The granting of access</p>	<p>By 31 October 2025 and once established, at all times.</p>

Details	Required date
<p>shall be subject to your, or your agent's, reasonable forestry management requirements, including a permit system.</p> <p>This condition does not prevent you from restricting access to the Land:</p> <ul style="list-style-type: none"> i. during non-daylight hours; or ii. during working hours; or iii. for reasons relating to the safety and interests of those using or working on the Land; or iv. for reasons relating to the prevention of fire, and the protection of livestock (including apiaries), trees, buildings, plant, equipment and related items on the Land and adjoining properties; or v. to protect the quiet enjoyment of adjoining landowners. <p>(b) advertise this permit system:</p> <ul style="list-style-type: none"> i. on your website explaining how the Forestry Land can be used for recreational purposes; and ii. by installing signage on the Land. 	
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	
<p>Special Condition 14: Existing arrangements</p>	
<p>You must implement and maintain:</p> <ul style="list-style-type: none"> (a) any existing arrangements in respect of the Land that are for a specified purpose as set out in Regulation 29 of the Regulations (Arrangements). (b) all Arrangements, including Arrangements you did not identify in your application for consent 	<p>At all times</p>
<p>If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.</p>	

Standard Conditions

You must also comply with the **standard conditions** set out below. These apply to all overseas people who are given consent to acquire sensitive New Zealand land, including you:

Details	Required date
Standard condition 1: Acquire the Land	
<p>You must acquire the Land:</p> <ol style="list-style-type: none"> 1. by the date stated in the Consent. If you do not, your Consent will lapse or become invalid and you must not acquire the Land; and 2. using the acquisition, ownership, and control structure you described in your application. <p>Note, only you – the named Consent Holder – may acquire the Land, not your subsidiary, trust, or other entity.</p>	As stated in the Consent
Standard condition 2: Tell us when you acquire the Land	
<p>You must tell us in writing when you have acquired the Land. Include details of:</p> <ol style="list-style-type: none"> 1. the date you acquired the Land (settlement); 2. consideration paid (plus GST if any); 3. the structure by which the acquisition was made and who acquired the Land; and 4. copies of any transfer documents and settlement statements. 	As soon as you can, and no later than two months after settlement
Standard condition 3: Allow us to inspect the Land	
<p>Sometimes it will be helpful for us to visit the Land so we can monitor your compliance with the Conditions.</p> <p>We will give you at least two weeks' written notice if we want to do this.</p> <p>You must then:</p> <ol style="list-style-type: none"> 1. allow a person we appoint (Inspector) to: <ol style="list-style-type: none"> a. enter onto the Land, including any building on it, other than a dwelling, for the purpose of monitoring your compliance with the Conditions (Inspection); b. remain there as long as is reasonably required to conduct the Inspection; c. gather information; d. conduct surveys, inquiries, tests, and measurements; e. take photographs and video records; and f. do all other things reasonably necessary to carry out the Inspection; and 2. take all reasonable steps to facilitate an Inspection including: 	At all times

<p>a. directing your employees, agents, tenants, or other occupiers to permit an Inspector to conduct an Inspection; and</p> <p>b. being available, or requiring your employees, agents, tenants, or other occupiers to be available, at all reasonable times, during an Inspection to facilitate access onto and across the Land. This includes providing transport across the Land if reasonably required.</p> <p>3. During an Inspection:</p> <p>a. we will not compel you and your employees, agents, tenants, or other occupiers to answer our questions or to let us look at, copy, or take away documents; and</p> <p>b. our Inspector will comply with any reasonable instruction and co-operate with any reasonable health and safety policy or procedure you notify to us before the Inspection.</p>	
Standard condition 4: Remain not unsuitable to invest in New Zealand	
<p>You, and to the extent that you are not an individual, the Individuals Who Control You must remain not unsuitable to own or control the assets in accordance with section 18A(1) of the Act.</p> <p>The Individuals Who Control You are individuals who:</p> <p>(a) are members of your governing body;</p> <p>(b) directly or indirectly, own or control more than 25% of you or of a person who itself owns or controls more than 25% of you; and</p> <p>(c) are members of the governing body of the people referred to in paragraph (b) above.</p>	At all times
Standard condition 5: Tell us about changes that affect you, the people who control you, or people you control	
<p>You must tell us in writing if any of the following events happen to the Consent Holder:</p> <ol style="list-style-type: none"> 1. You become aware that you and/or any Individual Who Controls You establishes any of the investor test factors listed in section 18A(4) of the Act. 2. You cease to be an overseas person or dispose of all or any part of the Land. 3. Your New Zealand Service Address changes. This is the address you provided us in your application as the address which we will send any legal document we need to serve on you. 	At all times

Standard condition 6: Dispose of the Land if you do not comply with key special conditions

<p>Some of the special conditions were key to the decision to give consent. If we consider you have failed to comply with one of those special conditions in a material way, we may require you to dispose of the Land.</p> <p>If all or part of this standard condition 6 applies to a special condition, we have said so in that condition.</p> <p>We will give you written notice if we require you to dispose of the Land. After we have given you notice, you must:</p>	
<p>Value the Land: obtain and send us a copy of a market valuation of the Land from a New Zealand registered valuer.</p>	<p>Within six weeks of the date of our notice</p>
<p>Market the Land: instruct a licensed real estate agent to actively market the Land for sale on the open market.</p>	<p>Within six weeks of the date of our notice</p>
<p>Dispose of the Land: dispose of the Land to a third party who is not your associate.</p>	<p>Within six months of our notice</p>
<p>Offer without reserve: if you have not disposed of the Land within six months of our notice, offer the Land for sale by auction or tender without a reserve price or minimum bid and dispose of the Land.</p>	<p>Within nine months of our notice</p>
<p>Report to us about marketing: tell us in writing about marketing activities undertaken and offers received for the Land.</p>	<p>By the last day of every March, June, September and December after our notice or at any other time we require</p>
<p>Report disposal to us: send us, in writing, evidence of the following:</p> <ol style="list-style-type: none"> 1. that you have disposed of the Land (including copies of sale and purchase agreements, settlement statements and titles showing the purchaser as registered proprietor); and 2. that the purchaser is not your associate. 	<p>Within one month after the Land has been disposed of</p>

Reporting conditions

We need information from you about how your investment plan is tracking so we can monitor your progress against the Conditions.

In addition to Settlement reporting (as set out in Standard Condition 2), you must provide LINZ with reports detailing the progress of the investment. The reports must:

1. be submitted via our [Webform](#) by these dates:
 - (a) 31 August 2025 (consult with relevant territorial authority, Special Condition 12) ;

- (b) 30 November 2025 (establish a permit system, Special Condition 12) and
- (c) 30 November 2027 (establish a wetland, Special Condition 10)

1. contain information about:
 - a. your progress in implementing the special conditions (which can include photographs, maps or aerial imagery as evidence of compliance with relevant conditions), and
 - b. your most current forecast or schedule for harvesting and replanting of various areas of the Land (including maps indicating the particular areas and likely schedules).
2. follow the format of the template annual report published on our website.
3. If requested in writing by LINZ, the Consent Holder(s) must provide a written report within 20 working days (or such other timeframe as specified) on any matter relating to its compliance with:
 - a. the representations and plans made or submitted in support of the application and notified by the regulator as having been taken into account when the Consent was granted, or
 - b. the conditions of this Consent.

Power to vary reporting date

The dates on which reports are due to be provided may be changed by agreement between the regulator and the consent holder, provided that this power may not be used to give a time extension for an individual report.

Power to narrow scope of reports

The regulator may temporarily or permanently waive the requirement to report on a particular matter.

Power not to require further reporting

The regulator may waive the requirement to submit a report and may waive the requirement for future reporting.

ATTACHMENT 2 – INTENDED OWNERSHIP STRUCTURE

s9(2)(b)(ii)

Released under the Official Information Act 1982

ATTACHMENT 3 – OTHER BENEFIT FACTORS

The table below lists other factors in the Act for assessing the benefit of overseas investments.

We considered that the factors below were either not relevant to the investment, or the benefit to New Zealand was not likely or sufficient to be relied on for the purposes of our assessment.

Factor	Reason not relevant or insufficient
Historic heritage	Not relevant - there are no places of historic heritage and wāhi tapu located on the Land.
Oversight or participation by New Zealanders	Not relevant - the Land is currently owned by New Zealanders.
Consequential benefits	Not relevant the Applicant has not identified any other benefits to New Zealand that are likely to occur as a result of this investment.

Released under the Official Information Act 1982

ATTACHMENT 4 – LUC, EROSION SUSCEPTIBILITY AND
EASEMENT LOCATION MAPS

s9(2)(b)(ii)

Released under the Official Information Act 1982

Erosion Susceptibility Map

s9(2)(b)(ii)

Released under the Official Information Act 1982

s9(2)(b)(ii)

Released under the Official Information Act 1982

ATTACHMENT 5 – CURRENT AND PROPOSED USE TABLE

s9(2)(b)(ii) [REDACTED] Hawke's Bay		
Land use	Current (ha)	Proposed (ha)
Forestry	7.8	1,124.8
Unplanted (other than farm land)	38.57 native bush	172,383.9
- Native bush (including scrub) 38.57ha		
- Unplantable – ridges, gullies, steep land 84.8139ha		
- Infrastructure – roads, tracks 4ha		
- Buffer land, setbacks, riparian planting 45ha		
Farm land	1,255,613.9	4.8
Land to be divested	0	0
Total	1,301,983.9	1,301,983.9

Released under the Official Information Act 1982

s9(2)(b)(ii)

Released under the Official Information Act 1982

ATTACHMENT 7 – CONSULTATION WITH DOC

DOC consultation	Applicant response
<p>DOC recommended that the Applicant formally protect the areas of native bush, wetland and Significant Natural Areas by registering a QEII Covenant.</p>	<p>The Applicant does not consider this necessary due to the protection already afforded these areas pursuant to the following protections:</p> <ul style="list-style-type: none"> • the Applicant's forestry manager (FMNZ) is a member of the New Zealand Forestry Owners Association and they are bound by the NZ Forest Accord to protect any areas of native forest less than 1ha; • FMNZ's own environmental policies require the preservation of indigenous vegetation; • the relevant district and regional councils and Resource Management Act rules and the National Environmental Standards for Plantation Forestry (NES-PF) require forestry owners to protect existing areas of native vegetation.
<p>DOC recommended the Applicant create setbacks from any protected areas and from all internal and adjoining waterways.</p>	<p>The Applicant considers this is unnecessary since the setbacks are not required under the NES-PF requirements and there is already provision for riparian setbacks (including for the s9(2)(b)(ii) Stream which will have a 10m setback).</p>
<p>DOC recommended the Applicant establish a weed control plan, including for wilding pine to prevent the spread of pine to other areas, including a removal programme for areas where wilding pine have been located.</p>	<p>The Applicant has advised that wilding pine is not an issue in the Hawke's Bay area and therefore a weed control programme is unnecessary. Any weeds that could harm the forest or native areas will be addressed as part of normal forestry operations.</p>
<p>DOC recommended that the Applicant undertake riparian planting on the banks of waterways on the Land to decrease the risk of erosion and the release of sediment into the waterways.</p>	<p>The Applicant's forestry managers have advised that riparian planting is not necessary as the already regulated setbacks along the waterways will naturally regenerate and riparian planting would involve an onerous financial burden.</p>

<p>In relation to the areas of the farm that are subject to a 'give' arrangement with the neighbouring landowner, DOC recommended that cattle are kept away from the waterways.</p>	<p>The Applicant advised this was beyond their control and a matter for the neighbouring farmer and the regional council.</p>
<p>DOC recommended that the Applicant work with an ecologist to prepare and implement a plan to protect and enhance water quality and biodiversity of streams, wetlands and ponds.</p>	<p>The Applicant has emphasised that it will comply with all necessary NES-PF requirements which protect and enhance waterways as well as any regional or district council rules.</p>

Released under the Official Information Act 1982