

**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.

<b>Date</b>	21 September 2023	<b>Classification</b>	IN CONFIDENCE: Commercially sensitive
<b>LINZ reference (Report reference)</b>	202300379 (BRF 24-134)	<b>Deadline</b>	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 24 October 2023 (having been extended to 100 working days due to consultation with third parties). The contractual deadline for the Applicant to obtain Overseas Investment consent is 17 October 2023 but this can be extended to 14 December 2023.

### Toitū Te Whenua Land Information New Zealand Contacts

Name	Position	Contact	First contact
Anneke Turton	Manager Applications	+64 4 830 2513	<input checked="" type="checkbox"/>
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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.<sup>1</sup>
6. The Applicant sent to acquire freehold interests in approximately [redacted] hectares at [redacted] Hawke's Bay, known as [redacted] (Land or [redacted]). The Land is divided into [redacted] UC 6 (87%). It also contains [redacted] UC 3 (13%).
7. The Land has already been subdivided into two parts being the [redacted] hectares to be acquired by the Applicant and [redacted] hectares to be retained by the Vendor, which contains all the buildings.
8. The Land is currently run as a sheep and beef farm with some cropping.
9. The Applicant intends to plant *Pinus radiata* over approximately 408.2 hectares (in addition to approximately 8.7 hectares of existing forestry) and to operate it as a productive forest, harvesting the trees at approximately 27 years and re-planting over 2 years.
10. 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.
11. 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.
12. For the reasons set out in this report, LINZ considers the investor test has been met.

### Key information

<b>Applicant</b>	ERI Timber New Zealand S.á.r.l. Germany 100%
<b>Vendors</b>	[redacted] New Zealand 100%
<b>Land</b>	A [redacted] mately [redacted] [redacted] Hawke's Bay [redacted] [redacted] [redacted]
<b>Consideration</b>	[redacted]
<b>Sensitivity</b>	Is more than 5 hectares of non-urban land
<b>Relevant tests</b>	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)

<sup>1</sup> The pension funds are private with members being from the Germany Construction sector and there is no foreign local, regional or federal government involvement.

**Timing**

- 13. The Overseas Investment Regulations 2005 specifies 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.
- 14. This application is currently on day 78, therefore the assessment timeframe will not be met. The Applicant's commercial deadline for a decision is 17 October 2023. We recommend a decision is made by 13 October 2023.

**B. Decision**

*Core tests*

15. I determine that:

(a) 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]

(b) The 'individuals with control of the relevant overseas person' 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]

(c) 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.

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

**Hon Damien O'Connor**

Agree

Disagree

**Hon Barbara Edmonds**

Agree

Disagree

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

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

18. 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*

19. 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*

20. 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 Damien O'Connor**

Date: 23 / 9 / 23

**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 Barbara Edmonds**

Date: 2 / 10 / 23

Released under the Official Information Act 1982

## C. Background and proposed transaction

### Land

21. The Land consists of approximately [s9(2)(b)] hectares of farm land outlined in white in the Applicant's aerial photo below. The Land is described as easy rolling country (85%) and flat land (15%).

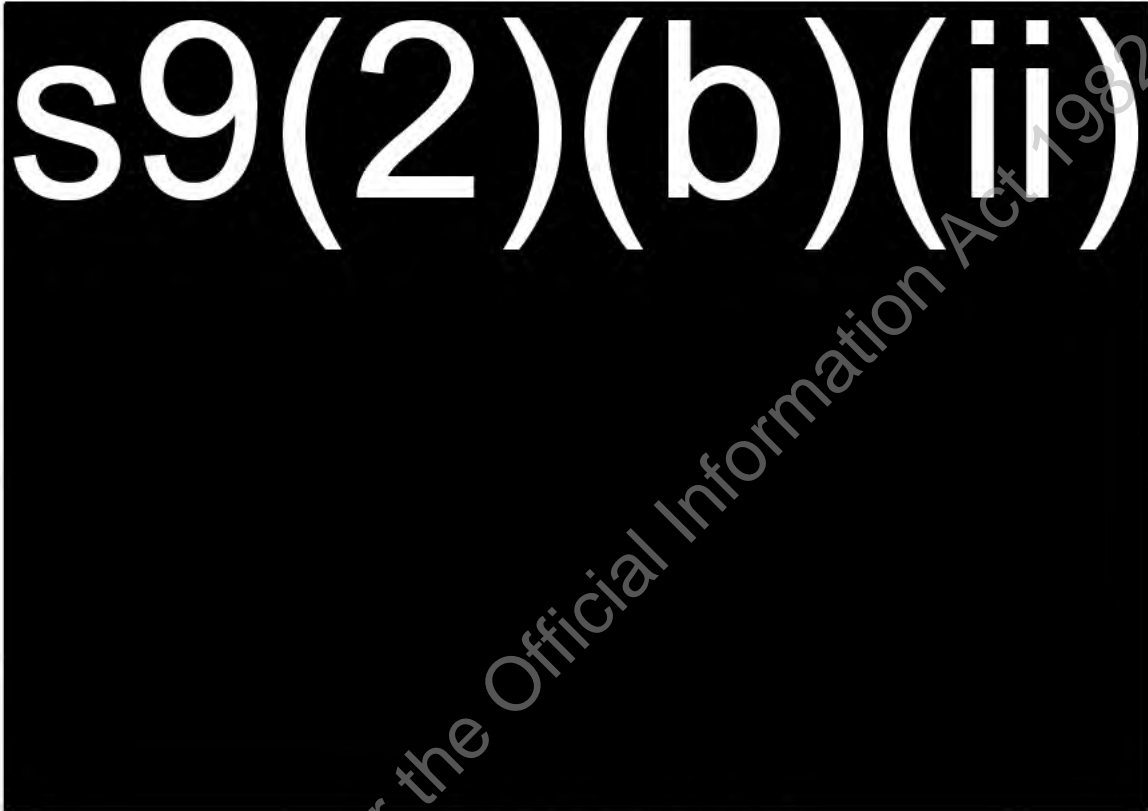


Figure 1 – Aerial Photo of the Land

22. [s9(2)(b)(ii)] is located [s9(2)(b)(ii)] and is run as a sheep and beef farm with some cropping. The Land has a Beef and Lamb classification of Class 4 – North Island hill country.
23. There are also goats and deer on the Land. Season allowing, dairy grazing is also utilised with 120-180 dairy cows taken through until calving dates.<sup>2</sup> It currently supports a total of 3,684 stock units, comprised of 1,998 beef and 1,686 sheep.
24. The Applicant identified the Land as suitable to forestry because it is predominantly Land Use Capability (LUC) 6, receives good rainfall, and it is reasonably close [s9(2)(b)(ii)] south of Napier's Port and [s9(2)(b)(ii)] south of the PanPac Sawmill. In addition, the Applicant notes that the total forest area in the region has increased by under 2% between 2018 to 2021.
25. The Land includes approximately 8.7 hectares of 12 years old pines, which can be seen in the middle of the Land shown in the aerial photo above.

<sup>2</sup> The Applicant confirms that the dairy cows will not be producing milk while they are grazing on the property since their calves have not been born yet. The cows are taken off the property before calving. Further, there are no milking facilities on the property, so no dairy products are produced on the Land. Therefore, the value of the dairy activity in kg per milk solids is 0.

26. s9(2)(b)(ii) has had little damage because of Cyclone Gabrielle. Damage has been confined to some minor slips.
27. The following 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. The breakdown is as follows:
- LUC 3 – 62 hectares;
  - LUC 6 – 419 hectares.
28. The Land does not include residential land, nor does it contain any fresh or seawater areas.<sup>3</sup> There are no buildings on the Land being acquired.
29. The Land is classified as mostly moderate erosion risk (with some parts being low erosion risk and a small part of high erosion risk) and therefore no resource consent is required for afforestation of the Land. An erosion susceptibility map can be found in **Attachment 4**. Resource consent will be required for earthworks, but the Applicant submits this is likely to be obtained.

#### Transaction and Vendor

30. s9(2)(b)(ii) is currently owned by s9(2)(a)
31. The Vendor will retain approximately s9(2)(b)(ii) hectares of land,<sup>4</sup> which will include all the buildings and sell the remaining approximately s9(2)(b)(ii) hectares of bare land<sup>5</sup> to the Applicant.
32. LINZ understands that s9(2)(b)(ii)
33. The Vendor s9(2)(b)(ii). The Vendor has s9(2)(b)(ii)

#### D. Application of the Act

34. The Land is sensitive because it is non-urban land over 5 hectares in size,<sup>7</sup> so consent is required.<sup>8</sup> The following criteria for an investment in sensitive land apply to this application:<sup>9</sup>
- The investor test must be met.<sup>10</sup>

<sup>3</sup> The Land does contain the s9(2)(b)(ii), however this is not classified as a "freshwater area" as confirmed in the Sensitive Land Certificate.

<sup>4</sup> Comprised in Record of Title s9(2)(b)(ii)

<sup>5</sup> Comprised in Record of Title s9(2)(b)(ii).

<sup>6</sup> Clause 32 of the SPA.

<sup>7</sup> Table 1, Part 1, Schedule 1 of the Act.

<sup>8</sup> Under sections 10(1)(a) and 12(a)(i) of the Act.

<sup>9</sup> Set out in section 16(1) of the Act.

<sup>10</sup> Section 18A / 16(1)(a) of the Act.

- The benefit to New Zealand test must be met.<sup>11</sup>
  - The farm land must have been offered for sale on the open market<sup>12</sup>, unless exempt<sup>13</sup>.
  - 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.<sup>14</sup>
35. 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.<sup>15</sup>
36. LINZ assesses the investor test in **Part E**, the 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

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

### Ownership

39. The Applicant is a limited liability company incorporated in Luxembourg<sup>16</sup> for the purposes of making forestry investments in New Zealand.
40. The Applicant is wholly owned by s9(2)(b)(ii) [REDACTED]
41. s9(2)(b)(ii) [REDACTED] a German pension fund which represents employees and firms that participate in the German construction sector s9(2)(b)(ii) [REDACTED]
42. s9(2)(b)(ii) [REDACTED]
43. A diagram of the intended ownership structure is in **Attachment 2**.

<sup>11</sup> Section 16(1)(c)(ii), 16A(1A) and 16A(2).

<sup>12</sup> Section 16(1)(f) of the Act.

<sup>13</sup> Section 20(1)(a) or (b) of the Act.

<sup>14</sup> Section 16(1)(g) of the Act.

<sup>15</sup> Section 16A(1)(a) of the Act.

<sup>16</sup> s9(2)(b)(ii) [REDACTED]

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

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

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



**Business Activities**

44. 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) in New Zealand forestry.<sup>20</sup>

45. s9(2)(b)(ii)

46. s9(2)(b)(ii)

47. s9(2)(b)(ii)

**Control**

48. 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 s9(2)(b)(ii)

49. s9(2)(b)(ii)

s9(2)(b)(ii)

**Relevant overseas person and individuals with control**

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

Relevant overseas person	Role
s9(2)(b)(ii)	Ultimate owner of Applicant

<sup>20</sup> The Applicant is a new investor which is seeking to invest New Zealand forestry assets. s9(2)(b)(ii)

s9(2)(b)(ii)

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

52. We recommend that the 'individuals with control of the relevant overseas person' (IWCs)<sup>23</sup> 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]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

### Summary of investor test

53. The relevant overseas persons and IWCs 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

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

#### Current state (counterfactual)

55. The Land is currently used for sheep and beef pastoral farming with some cropping. The *Compass Agribusiness Report* states that s9(2)(b)(ii) [REDACTED] historical effective area has been assessed at s9(2)(b)(ii) [REDACTED] hectares. s9(2)(b)(ii) [REDACTED]

<sup>23</sup> Section 15 of the Act.

hectares) less native bush and scrub (30 hectares) and existing forestry (8.7 hectares).<sup>24</sup> For the purposes of calculating the dollar value per 100 hectares below we have used the total of [redacted] hectares.

56. [redacted] s9(2)(b)(ii) is not a large scale farm and is smaller scale at [redacted] effective hectares compared to the average size of Beef and Lamb Class 4 farms ([redacted] effective hectares). See below for the benchmarking table.

BENCHMARKING			
Data Set	Area (Hectares)	No. of SU	SU / Hectare
[redacted] s9(2)(b)(ii)	[redacted]	[redacted]	[redacted]
Beef and Lamb Class 4	624	5,478	8.8

57. The Land is currently producing approximately [redacted] s9(2)(b)(ii) [redacted]
58. The Land includes approximately 8.7 hectares of 12 years old pines. The Vendor is a registered participant under the Emission Trading Scheme (ETS) and will do all things reasonable and in its power to transfer participation of all registered areas on the Land to the Applicant.<sup>26</sup>
59. There is currently no public access arrangements in place [redacted] s9(2)(b)(ii). There is no historical heritage or wahi tapū listed in the NZ Heritage List, and no Māori reservation land located within the Land. Furthermore, there are no records of any archaeological sites recorded against the Land.
60. There is a small area (approximately [redacted] s9(2)(b) hectares) of Significant Natural Area (SNA) located within the Land boundary. The SNA is described as a broadleaved – small leaved forest and scrub. This is part of the approximately 30 hectares of native bush on the Land.

### Investment plan

61. The Applicant will plant approximately 408.2 hectares in *Pinus radiata*. The first rotation is aimed to be planted in the winter of 2024. However, potentially some of the planting may be postponed until 2025 due to seedling availability following the Cyclone Gabrielle flood impacts on seedling nurseries. All the planting will be completed by 30 September 2025 at the latest.
62. The Applicant has appointed [redacted] s9(2)(b)(ii) to provide timber and forestry advisory and have also engaged RDL to establish and manage the forest. RDL has significant New

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

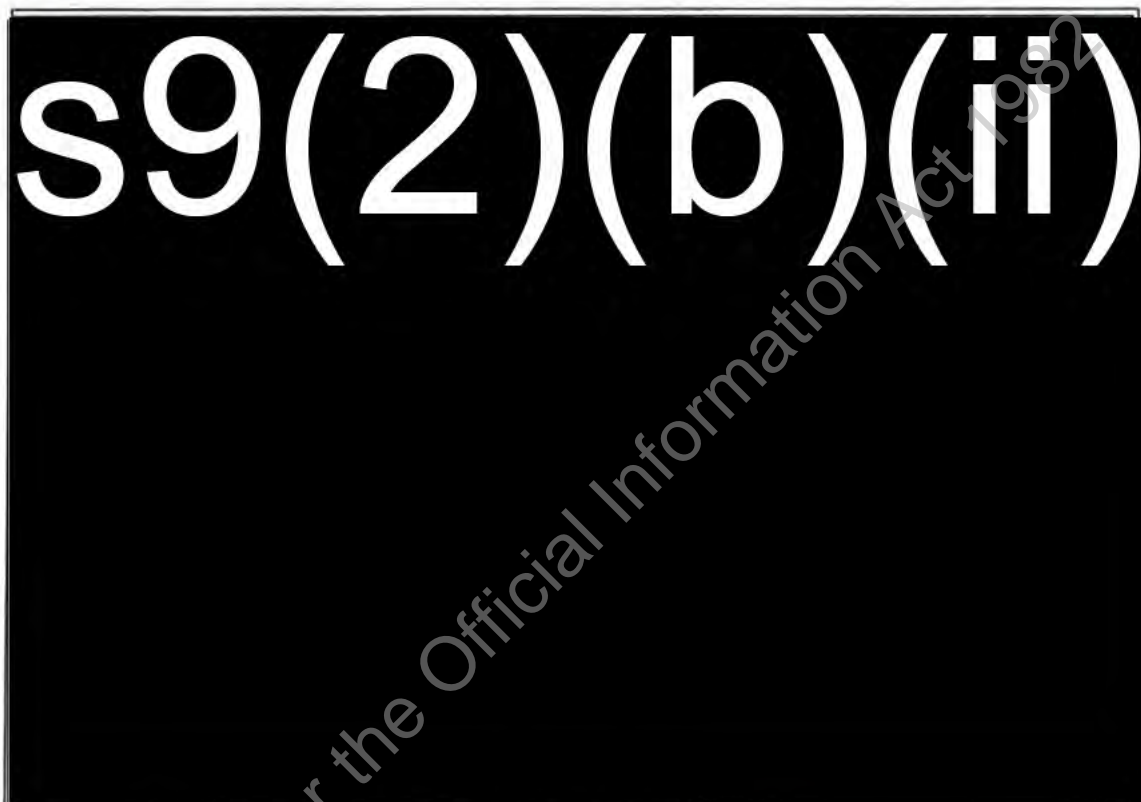
[redacted] s9(2)(b)(ii)

<sup>26</sup> Clause 36 of the SPA.

Zealand forestry experience, has established over 100 forests in New Zealand and will be responsible for the day-to-day management **s9(2)(b)(ii)**.

*Planting plan*

63. *Pinus radiata* will be planted at 1,000 stems per hectare and thinned to approximately 550 stems per hectare. See the Planting Plan Map below. The new forest to be planted is shaded in light green. The existing forest (approximately 8.7 hectares) is shaded in blue.



*Figure 2: Planting Plan Map*

64. As stated further above, the erosion susceptibility for the Land is either low, moderate or high and therefore no resource consent is required for planting. In addition, the proposed planting will comply with the New Zealand Forest Accord, the National Environmental Standards for Plantation Forestry and local planning requirements.
65. For harvesting, resource consent will be required for earthworks, however, they are likely to be obtained. The Applicant's forestry managers, FMNZ, have advised that in their significant forestry experience, they believe the Land is very suitable for forestry and earthwork consents will likely be obtained.

*Silviculture regime*

66. The trees will be managed under a structural regime which involves planting trees at approximately 1,000 stems per hectare and thinned to approximately 550 stems per hectare. The trees will be thinned at around year 9 and will not be pruned.<sup>27</sup>

<sup>27</sup> FMNZ has advised that the two regimes, pruning and framing, involve very different types of management. A pruning regime focuses on producing larger clear wood, while a framing regime concentrates on producing volume of sawlogs. A pruned regime will tend to have an optimum crop stocking of 350 stems/hectare at harvest, while a framing regime will target 550 stems/hectare at harvest, an increase of 55% more stems per hectare. While the individual tree size at harvest tends to be larger for a pruned

67. The Applicant's forestry advisors, FMNZ, have advised that the structural regime is the best silviculture regime for Droxford to maximise the value of the forest for the following reasons:
- (a) structural regime maximises the value of the wood produced and therefore export receipts are increased by approximately 4.2% at age 27 when compared to a pruned regime;
  - (b) structural regime will result in higher timber harvest volumes compared to pruned regime; and
  - (c) carbon storage is forecast to reduce by up to 35% under a pruned regime compared to a structural regime.<sup>28</sup>

#### Harvesting

68. Harvesting of the new forest (2024/2025 plantings) is due to commence in 2050 when the trees are 26 years old. The replanting will commence the next year in 2051 and be completed by 2052.
69. In addition, it is noted that the existing 8.7 hectares of *Pinus radiata* will be harvested at the same time as the new plantings in 2050. There are no log supply contracts related to the harvest of the existing plantations.

#### Exports

70. Once harvested, the trees will likely be sold to export markets given the limited domestic processing capacity currently available for unpruned logs in the Hawke's Bay region. Logs will be exported via Port of Napier.
71. LINZ understands that the Applicant intends to export the logs due to the fact the domestic sawmills in the Hawke's Bay are narrowly focused on specific log grades, and therefore cannot process all grades of logs harvested from a forest.
72. LINZ also understands that it is the forestry manager's and the Applicant's intention to supply logs to domestic processing if possible, however, it is not possible to state the volumes and grades that can be absorbed by the local market given the uncertainty around capacity in 25 years' time.
73. A table of the current and proposed use of the Land appears in **Attachment 5**.

#### Benefits

##### Farm land benefit test does not apply

74. This investment involves the acquisition of farm land exceeding 5 hectares, which would ordinarily be subject to the modified farm land benefit test<sup>29</sup>. 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:
- 74.1. the farm land will, or is likely to, be used exclusively, or nearly exclusively, for forestry activities; and

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regime (as mentioned above), the stocking rate is lower so there are less trees. For a framing regime there are more trees per hectare, resulting in a greater wood volume at harvest.

<sup>28</sup> FMNZ has advised that they have not conducted independent carbon storage analysis s9(2)(b)(ii), however, they have commissioned a carbon storage comparison prepared by PF Olsen Limited between pruned vs framing regime on a similar productivity property, Mangarei. At age 16, the comparison is as follows:

- Pruned Regime (CW350) at age 16: 409.8 tonnes of carbon/hectare; vs
- Framing Regime (FR550) at age 16: 553.0 tonnes of carbon/hectare.

<sup>29</sup> Section 16A (1C-1E)

74.2. 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

74.3. the non-occupation outcome will, or is likely to, occur in relation to the farm land.<sup>30</sup>

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

### Introduction to benefits

75. 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.
76. 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.
77. LINZ consulted with Herenga ā Nuku | Outdoor Access Commission (**Herenga ā Nuku**) and Te Papa Atawhai | Department of Conservation (**DOC**) and Manatū Ahu Matua | Ministry of Primary Industries (**MPI**) and their feedback is discussed in this report. We deal with the proposed conditions and their rationale after discussing the benefit claims.
78. 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

79. 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.
80. 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.

#### *Increased revenue from log sales and carbon receipts*

81. The Applicant estimates that there will be gross harvesting returns of **s9(2)(b)(ii)** for first rotation. Carbon revenue (NZU sales) is expected to be around **s9(2)(b)(ii)** from the first rotation (ie selling 550.8 tonnes/hectares **s9(2)(b)(ii)**). The total returns from the first rotation are expected to be **s9(2)(b)(ii)** per annum averaged over 27 years (or approx. **s9(2)(b)(ii)** per 100 hectares per annum). The Applicant estimates that this will result in a net increase in revenue over the first rotation of **s9(2)(b)(ii)** as per the table below:

	Gross revenue over 27 years
Forestry: • Gross harvesting returns: <b>s9(2)(b)(ii)</b> • NZU sales: <b>s9(2)(b)(ii)</b>	<b>s9(2)(b)(ii)</b>
Sheep and beef farming:	<b>s9(2)(b)(ii)</b>

<sup>30</sup> 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.

(average gross income of s9(2)(b)(ii) per year)	
<b>Total gross revenue net increase</b>	s9(2)(b)(ii)

**Increase export receipts**

82. The Applicant estimates forestry exports of s9(2)(b)(ii) for first rotation (includes s9(2)(b)(ii) gross harvesting returns) or s9(2)(b)(ii) per annum (or approx. s9(2)(b)(ii) per 100 hectares per annum).<sup>31</sup> The Applicant estimates a net increase in export receipts of approx. s9(2)(b)(ii) as per the table below:

<b>Exports</b>	<b>Total value over a 27 year period</b>
Forestry export receipts	s9(2)(b)(ii)
Sheep and beef export receipts (s9(2)(b)(ii)) <sup>32</sup> per annum over 27 years)	s9(2)(b)(ii)
<b>Net increase</b>	s9(2)(b)(ii)

**New jobs**

83. The Applicant estimates that the proposed afforestation will create the equivalent of 116 annual FTE direct jobs for first rotation or approx. 4 direct FTEs annually (or approx. 0.8 direct FTE jobs per 100 hectares per annum).<sup>33</sup> The *Forme FTE Report* includes a graph showing the FTE fluctuation over the 28 year period (a 27 year rotation including replanting) as follows:

<sup>31</sup> FMNZ have advised that the forest owner sells logs on an AWG (at wharf gate) basis. This is the delivered cost of logs to port. The exporter is selling logs in USD. The ocean freight is also paid in USD and deducted from the USD sales revenue. The remainder is then converted to NZD. Out of this amount, the exporter pays in NZD for port costs including stevedoring, storage and loading, scaling costs, the forest owner the AWG log price and the remainder is the exporters' holding costs and profit.

<sup>32</sup> The export receipt calculations are based on the export prices of \$10.12 per kg (lamb), \$7.46 per kg (mutton), \$7.46 beef and \$3.77 per kg (wool).

<sup>33</sup> The types of work will be professional services, forest health inspections, forest access maintenance, pest control, manual spot spray operations, planting contractors, thinning to waste, forest mensuration, harvest management, road construction contractors, harvesting contractors, cartage contractors, fencing contractors.

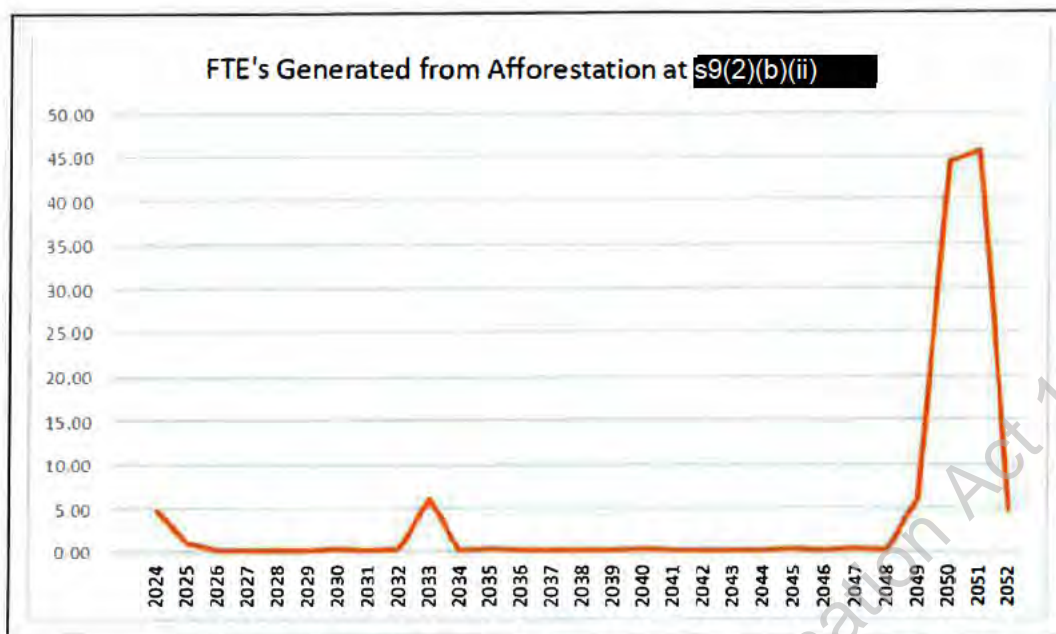


Figure 3: FTE Fluctuation Graph

84. The above new direct jobs will be created in the Hawke's Bay region. A summary of the new forestry jobs compared to the existing sheep and beef farming is set out in the table below:

New forestry jobs	During each rotation (1 – 28 years)
Total FTEs	116
Average FTEs per annum	4
Existing sheep and beef operation	
Total FTEs	29
Average FTEs per annum	1

#### Increased investment in the Land

85. The Applicant estimates that establishing and managing the new forest estate will result in an estimated s9(2)(b)(ii) being paid to local suppliers of goods and services throughout the first rotation, or approx. s9(2)(b)(ii) per annum (or approx. s9(2)(b)(ii) per 100 hectares per annum).
86. Under the current state, the farming costs would be the equivalent of \$3m over the first rotation or annual farming costs of s9(2)(b)(ii) (or approx. s9(2)(b)(ii) per 100 hectares per annum).

#### Carbon sequestration and reduction in emissions

87. Carbon sequestration will increase over the life of the forest. PF Olsen has calculated that the new plantings will absorb approximately 415,000 tonnes of carbon dioxide over the 27 year rotation.
88. LINZ notes that there is uncertainty whether the investment will result in net reduction of CO<sub>2</sub> 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.

89. The Applicant submits that the conversion of the Land from farm land into productive forestry will result in a reduction in emissions. The *Compass Agribusiness Report* advises that the total farm emissions currently produced from sheep and beef grazing on the Land is approximately 37,000 tonnes.<sup>34</sup>
90. 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.
91. 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 452,000 tonnes of carbon dioxide per each rotation.

### Environmental factor

92. Approximately 30 hectares of land at s9(2)(b)(ii) consists of native bush, which includes a small area (s9(2)(b)(ii) hectares) of Significant Natural Area (SNA) located within the Land boundary. The SNA is described as a broadleaved – small leaved forest and scrub. In accordance with the New Zealand Forest Accord, the National Environmental Standards for Plantation Forestry and local planning requirements, the SNA and other areas of native bush will be protected and not planted.
93. In addition, the Applicant will commit to undertaking an ongoing pest control (goat, deer and possum) programme as soon as settlement occurs. This will cost approximately \$28,500. This will result in additional environmental benefits with the reduction of pests on the Land.
94. LINZ notes that DOC had made several recommendations for conditions to protect indigenous vegetation (including engaging an expert to produce an ecological report of the Land, QEII covenanting the native bush, and creating setbacks from protected areas).
95. The Applicant has agreed to special condition 11 that prevents it from planting on or disturbing any areas of native bush. It has also agreed to special condition 13 requiring the Applicant to develop a pest control plan and provide it to DOC for review and feedback. The Applicant would then have to implement the plan.
96. The remainder of the recommendations from DOC have not been agreed to by the Applicant. LINZ's assessment is the recommended conditions of consent are likely to adequately protect the indigenous vegetation areas.

### Public access factor

97. The Applicant's forestry managers, FMNZ, will operate a permit system to allow public access to s9(2)(b)(ii) for recreational purposes, such as walking trail running, cycling and horse riding.
98. Herenga ā Nuku provided feedback to LINZ recommending that (a) the Applicant promotes the availability of permits for public recreational use of the forests, (b) a public access policy is put in place by the Applicant that enables the public to understand how the forest can be used for recreational purposes, and (c) the Applicant communicates

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<sup>34</sup> Page 5 states that s9(2)(b)(ii) has total farm emissions for the 2022 / 2023 season of 1,390 tonnes (CO<sub>2</sub>-e) based on information provided, noting that zero vegetation offsets have been included. Therefore 1,390 tonnes over a 27 year rotation equals 37,350 tonnes.

both the public access policy and permit system in a manner that is easily discovered by the public.

99. The Applicant has agreed to special condition 14 requiring it to deliver better access to the Land but allows the Applicant to restrict access, for example, during non-daylight hours and for safety reasons. The Applicant would have to advertise the permit system on its website explaining how the Land can be used for recreational purposes, and by installing signage on the Land.

### Summary of benefits

100. The benefits to New Zealand that are likely to result from this investment and our assessment of the relative weight to be given to each are set out in the table below.
101. 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**.
102. 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. 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.

### Summary assessment: benefit to NZ test

103. This table assesses the benefits to NZ likely to result from the investment and the relative weight to be given to each.
104. 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		
<b>Strength</b>	<b>Moderate</b>	
	<p>LINZ considers that this factor should be given a <b>Moderate weighting</b> due to the likely increase in revenue from the Land and from export receipts, an increase in jobs and greater expenditure on the Land because 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 nature of the investment and the volatility of primary commodity markets and export conditions<sup>35</sup>.</p>	
<b>Increased revenue</b>		
<b>Applicant's claims: what they intend to do</b>	<b>Current state</b>	<b>LINZ analysis</b>

<sup>35</sup> However, LINZ notes that the PwC 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>Gross harvesting returns of s9(2)(b)(ii) for first rotation.</p> <p>Carbon revenue (NZU sales) is expected to be around s9(2)(b)(ii) from the first rotation (ie selling s9(2)(b)(iii) tonnes/hectares at s9(2)(b)(ii) per tonne)</p> <p>The total returns from the first rotation are expected to be s9(2)(b)(ii) per annum averaged over 27 years (or approx. s9(2)(b)(ii) per 100 hectares per annum).</p>	<p>Previous three years from its beef and sheep operation is equivalent of s9(2)(b)(ii) for first rotation or s9(2)(b)(ii) (pro-rated) per annum (or approx. s9(2)(b)(ii) per 100 hectares per annum).</p> <p>Approx. 8.7 hectares of existing forestry.</p>	<p>LINZ considers there is likely to be a significant increase in revenue and gross harvesting returns generated from the Land because of its conversion to forestry.</p>
<b>Increased export receipts</b>		
<b>Applicant's claims: what they intend to do</b>	<b>Current state</b>	<b>LINZ analysis</b>
<p>Forestry exports of s9(2)(b)(iii) for first rotation (includes s9(2)(b)(ii) gross harvesting returns) or s9(2)(b)(iii) per annum (or approx. s9(2)(b)(ii) per 100 hectares per annum).</p>	<p>Sheep and beef exports of s9(2)(b)(iii) (equivalent for first rotation) or s9(2)(b)(ii) annually (approx. s9(2)(b)(ii) per 100 hectares per annum).</p>	<p>LINZ considers there is likely to be a significant increase in export receipts generated from the Land because of its conversion to forestry.</p>
<b>Creation of new jobs</b>		
<b>Applicant's claims: what they intend to do</b>	<b>Current state</b>	<b>LINZ analysis</b>
<p>Create equivalent of 116 annual FTEs direct jobs for first rotation or approx. 4 direct FTEs annually (or approx. 0.8 direct FTE jobs per 100 hectares per annum).</p>	<p>Existing farming operations of 29 FTEs for first rotation or 1 FTE per annum (approx. 0.2 direct FTE jobs per 100 hectares per annum).</p>	<p>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.</p> <p>LINZ notes these jobs will be highly cyclical given the peaks of labour required at point of planting, thinning, harvesting, and re-planting.</p> <p>LINZ also considers the types of jobs created are likely to be better paying than standard farm labouring jobs.</p>
<b>Increased capital expenditure</b>		
<b>Applicant's claims: what they intend to do</b>	<b>Current state</b>	<b>LINZ analysis</b>

<p>Establishing and managing the new forest estate will result in an estimated <b>§9(2)(b)(ii)</b> being paid to local suppliers of goods and services throughout the first rotation, or approx. <b>§9(2)(b)(ii)</b> per annum (or approx. <b>§9(2)(b)(ii)</b> per 100 hectares per annum).</p>	<p>Farming costs total approx. <b>§9(2)(b)(ii)</b> over first rotation or average annual total farm working expenses are approx. <b>§9(2)(b)(ii)</b> (pro-rated) (or approx. <b>§9(2)(b)(ii)</b> per 100 hectares per annum).</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 100 hectares, this will be approx. <b>§9(2)(b)(ii)</b> more per year).</p>
<p><b>Special conditions</b></p>	<p><b>Special condition 1 – 5</b> will require forestry activities to be carried out on the Land, creating the economic benefits above.</p> <p><b>Special condition 6</b> will prevent the Applicant from registering any crop of new or replacement trees as 'permanent forestry' in the ETS scheme.</p> <p><b>Special condition 8</b> allows for temporary grazing of the Land.</p>	

<b>CARBON AND CLIMATE CHANGE BENEFITS</b>		
<p><b>Strength</b></p>	<p><b>Requires Ministerial judgement</b></p> <p>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.</p>	
<b>Environmental – reduction of emissions and carbon sequestration</b>		
<b>Applicant's claims – what they intend to do</b>	<b>Current state</b>	<b>LINZ analysis</b>
<p>The cessation of farming and the planting of additional trees results in climate change benefits through the reduction of harmful livestock emissions (37,000 tonnes of CO<sub>2</sub> over first rotation) and the sequestration of carbon through additional trees (415,000 tonnes of CO<sub>2</sub> over first rotation) resulting in an estimated <i>total net</i></p>	<p>The Land is mostly used for sheep and beef farming which produce farm emissions (estimated at 37,000 tonnes over first rotation).</p> <p>Approx. 8.7 hectares of existing forestry.</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>

<p><i>emission reduction of approx. 452,000 tonnes of carbon over first rotation.</i></p>		
<p><b>Government Policies – climate change<sup>36</sup></b></p> <p>Different applicants have cited different government climate policies which are supported by afforestation. As these are the same for all applications, we have included the following policies (LINZ is mindful that there may be others which have not been identified by the Applicant)</p> <p>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.</p>		
<p><b>Government Emissions Reduction Plan – 2022<sup>37</sup></b></p> <p>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.</p>		
<b>Applicant's claims</b>	<b>Current state</b>	<b>LINZ analysis</b>
<p>The Land will store additional carbon (a total of around 415,000 tonnes of carbon over first rotation) and reduce harmful livestock emissions.</p>	<p>The Land is currently grazed by emission producing livestock (37,000 tonnes over first rotation) and there are far fewer trees to store carbon.</p>	<p>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>".</p>
<b>Special conditions</b>	<p><b>Special Conditions 1 – 5</b> 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.</p> <p><b>Special condition 6</b> will prevent the Applicant from registering any crop of new or replacement trees as 'permanent forestry' in the ETS scheme.</p>	

**ENVIRONMENTAL BENEFITS**

**Note that carbon and climate environmental benefits are incorporated within the Government Policy benefit factor.**

**Strength**

**Weak**

<sup>36</sup> 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.

<sup>37</sup> 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/>.

We consider the undertaking of a pest control programme and the preservation of native bush on the Land contribute to our assessment of a <b>Weak</b> weighting for this benefit factor.		
Protection of indigenous vegetation		
Applicant's claims: what they intend to do	Current state	LINZ analysis
The Applicant will undertake a professional on-going pest control programme in relation to goat, deer, and possum, spending approx. \$28,500 over the first rotation for the new forest.	No pest control currently identified on the Land.	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.
Applicant's claims: what they intend to do	Current state	LINZ analysis
The Applicant will preserve approx. 30 hectares of native bush (including 7.1 hectares of broadleaved –small leaved forest and scrub categorised as Significant Natural Area by the Central Hawke's Bay District Council).	Sheep and beef pastoral farming with some cropping.	Areas of native bush will be protected under NES-PF because 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.
Special conditions	<p><b>Special condition 9</b> will require compliance with NES-PF.</p> <p><b>Special condition 10</b> will require the Ppplicant to consult with the Central Hawke's Bay District Council re implementing anti-slash control.</p> <p><b>Special condition 11</b> will require protection of native bush.</p> <p><b>Special condition 13</b> will require the establishment of a pest control programme targeting goats, deer, and possum within 2 years of settlement.</p>	

PUBLIC ACCESS	
Strength	<b>Weak</b>
	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 <b>Weak</b> .

<b>Recreational public access</b>		
<b>Applicant's claims: what they intend to do</b>	<b>Current state</b>	<b>LINZ analysis</b>
The Applicant will allow the public to access the Land for recreational purposes using a permit system.	No current public access arrangements over the Land.	The establishment of a permit system to access the Land for recreational purposes will open an area to the public which is not currently available.
<b>Special Conditions</b>	<b>Special condition 14</b> will require the Applicant to provide a permit access system to the public over the Land.	

<b>ADVANCING SIGNIFICANT GOVERNMENT POLICY</b>		
<b>Strength</b>	<b>Weak</b>	
	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.	
<b>Fit for a Better World – Accelerating Our Economic Potential Roadmap – 2020<sup>38</sup></b>		
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.		
<b>Applicant's claims</b>	<b>Current state</b>	<b>LINZ analysis</b>
The Investment advances the Roadmap by: <ul style="list-style-type: none"> <li>• increasing export earnings;</li> <li>• creating employment;</li> <li>• removing livestock emissions.</li> </ul>	The Land currently produces fewer export earnings, less domestic processing, produces livestock emissions, has fewer trees to store carbon and employs fewer persons.	LINZ considers that it is likely that the investment will advance the Roadmap for the reasons set out in the Applicant's claims..
<b>Special conditions</b>	<b>Special Conditions 1 – 5</b> will require the Applicant to carry out forestry activities on the Land.	

<sup>38</sup> <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>

### **Consultation and submissions about the investment**

105. No third-party submissions were sought or received in relation to this application.
106. In undertaking our assessment, we consulted with Herenga ā Nuku, DOC, and MPI. We have dealt with any feedback we received on specific proposals in the body of the assessment report above.

### **Proposed conditions and rationale**

107. The afforestation of the Land is the primary action from which all the specific benefits claims flow.
108. 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:
  - 108.1. prohibit the Applicant and related persons from occupying the Land for residential purposes;
  - 108.2. allow temporary grazing of the Land, until planting is completed;
  - 108.3. 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;
  - 108.4. require consultation with the local authority with regard to the implementation of slash control on the Land and undertake any recommended measures;
  - 108.5. 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);
  - 108.6. require the Applicant to protect the native bush (including significant natural area) on the Land;
  - 108.7. require the Applicant to undertake professional pest control on the Land; and
  - 108.8. require better access to the Land for members of the public through a new permit system.

### **Conclusion – benefit to NZ test**

109. 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.
110. 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*

111. 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:
  - 111.1. 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);



111.2. 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).

112. Matters relevant to the sensitivity of the Land are likely to include:

(a) matters indicating diminished sensitivity:

- the Land is 87% LUC 6 (suited to forestry);
- approximately 2% of the Land is already planted in trees; and
- the Land is sensitive only because it is non-urban land larger than 5ha.

(b) matters indicating increased sensitivity:

- the Land is farm land;
- public interest in the use and conversion of farm land;
- the Applicant is acquiring a freehold interest;
- the Applicant is entirely overseas owned; and
- the Land will be converted to an alternative (non-farming) use.

#### *Conclusion*

113. 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**

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114. Because the Land is farm land,<sup>39</sup> 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:

- (a) Internet – PPG Wrightson.co.nz, Realestate.co.nz, and Trademe.co.nz.<sup>40</sup>
- (b) Print – Hawke's Bay Today – The Country, Farmer's Weekly, Hawke's Bay Property Guide, PGG Wrightson Property Express.<sup>41</sup>

115. Advertising commenced on s9(2)(b)(ii)

[REDACTED]

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

<sup>40</sup> All websites were listed s9(2)(b)(ii)

[REDACTED]

<sup>41</sup> The date range for print media advertising was from s9(2)(b)(ii) to s9(2)(b)(ii).

## H. Not a transaction of national interest

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116. The investment does not involve a transaction of national interest under the mandatory criteria of the Act.<sup>42</sup> 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).
117. We have not referred this transaction to the Minister of Finance for him to call it in for a national interest assessment on a discretionary basis.<sup>43</sup> He has therefore not declined consent to the transaction.
118. We are directed<sup>44</sup> that the starting point is the assumption that overseas investment is in New Zealand's national interest and that we should only seek the Minister of Finance to exercise his discretion for a national interest assessment if the proposed investment:
119. 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 25 per cent ownership or control interest 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).
120. We do not consider that this investment engages any of these risk factors.

## I. Conclusion

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121. 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.
122. The nature of the Applicant's claims requires 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.

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<sup>42</sup> Under s 20A of the Act.

<sup>43</sup> Section 20B of the Act

<sup>44</sup> Ministerial Directive Letter (24 November 2021).

123. 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: 21 September 2023

## **J. List of Attachments**

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1. Proposed Decision
2. Ownership structure
3. Other benefit factors
4. LUC map + erosion susceptibility map
5. Current and proposed use of the Land
6. Photos

## 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: [REDACTED]

The following people have been given the following consent:

<b>Case</b>	202300379
<b>Consent</b>	The Consent Holder may acquire the Land subject to the Conditions set out below.
<b>Consent Holder/s</b>	ERI Timber New Zealand S.á.r.l. (Luxembourg company number B270603) (You or the Consent Holder)
<b>Land</b>	A freehold interest in approximately s9(2)(b)(ii) hectares of land at s9(2)(b)(ii), Hawke's Bay contained in Record of Title s9(2)(b)(ii)
<b>Timeframe</b>	You have until 31 October 2024 to acquire the Land.

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## Conditions

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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, regulator or we**.

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## Definitions

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**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").

**Native Bush** means approximately 30 hectares of native bush (including 7.1 hectares of significant natural area labelled SNA 285) as shown in green ink in Appendix A.

**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.

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.

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## Special Conditions

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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
<b>Special condition 1: Land must be planted with trees</b>	
You must establish a new crop of trees on the Land covering at least 350 hectares.	By 30 September 2025
If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.	
<b>Special condition 2: Forestry Land must be used for forestry activities</b>	
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.	
<b>Special condition 3: Minimum silvicultural practices</b>	
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
If you do not comply with this condition, Standard Condition 6 will apply, and we may require you to dispose of the Land.	
<b>Special Condition 4: Crop of trees must be harvested</b>	
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. For <u>pinus radiata</u> , species age limit is 35 years. For <u>all other species</u> , the species age limit is as determined by LINZ.	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.	

Details	Required date
<b>Special condition 5: Trees must be replanted after harvest</b>	
<p>You must replace each crop of trees (Existing Trees and New Trees) which you harvest with a new crop of trees (<b>Replant</b>). 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"> <li>1. replant the Land with the same species of tree or use the same silvicultural regime; or</li> <li>2. do anything in breach of any other Act, regulation, rule, bylaw, or that is otherwise contrary to law.</li> </ol> <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>	
<b>Special condition 6: ETS registration</b>	
<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>
<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>	
<b>Special condition 7: Non-occupation outcome</b>	
<ol style="list-style-type: none"> <li>1. None of the following people may occupy the Land acquired under this consent for residential purposes or as otherwise permitted by Special Condition 10 (Permitted temporary activities): <ol style="list-style-type: none"> <li>(a) You;</li> <li>(b) Any overseas person with a more than 25% ownership or control interest in any of the people in (a);</li> </ol> </li> </ol>	<p>At all times</p>

Details	Required date
<p>(c) Any overseas person who occupies the Land other than on arm's length terms<sup>45</sup>;</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>2. 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>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><b>Special condition 8: Permitted temporary activities</b></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 30 September 2025</p>
<p><b>Special condition 9: Comply with NES-PF</b></p>	
<p>You must comply with NES-PF (as amended), or any replacement to the regulations, in respect of 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><b>Special condition 10 – Slash control measures</b></p>	
<p>You must:</p> <p>(a) consult with the Central Hawke's Bay District and Regional Council regarding the implementation of slash control on the Land; and</p> <p>(b) implement any slash control measures recommended by Central Hawke's Bay District and Regional Council.</p>	<p>(a) By 31 July 2025</p> <p>(b) At all times</p>

<sup>45</sup> '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><b>Special condition 11 – Protection of Native Bush</b></p>	
<p>You must not:</p> <ul style="list-style-type: none"> <li>(a) undertake any commercial planting in areas of Native Bush; or</li> <li>(b) disturb areas of Native Bush.</li> </ul> <p>This condition does not prevent you from undertaking restorative planting in areas of Native Bush, such as adding further native plants or native trees.</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><b>Special condition 12: Existing arrangements</b></p>	
<p>You must implement and maintain:</p> <ul style="list-style-type: none"> <li>(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).</li> <li>(b) all Arrangements, including Arrangements you did not identify in your application for consent</li> </ul>	<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><b>Special condition 13 – Undertake a pest control programme on the Land</b></p>	
<p>You must:</p> <ul style="list-style-type: none"> <li>(a) develop a pest control plan on the Land in relation to the control of goat, possum, and deer;</li> <li>(b) provide a copy of the plan to DOC for review and feedback within 40 working days of it being completed; and</li> <li>(c) implement the plan.</li> </ul>	<ul style="list-style-type: none"> <li>(a) By 30 August 2026.</li> <li>(b) By 30 October 2026.</li> <li>(c) Once DOC has reviewed</li> </ul>

Details	Required date
	the plan, at all times
<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><b>Special condition 14: Deliver better access to the Land</b></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 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"> <li>i. during non-daylight hours; or</li> <li>ii. during working hours; or</li> <li>iii. for reasons relating to the safety and interests of those using or working on the Land; or</li> <li>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</li> <li>v. to protect the quiet enjoyment of adjoining landowners.</li> </ul> <p>(b) advertise this permit system:</p> <ul style="list-style-type: none"> <li>i. on your website explaining how the Land can be used for recreational purposes; and</li> <li>ii. by installing signage on the Land.</li> </ul>	<p>(a) By 31 October 2025 and once established, at all times.</p> <p>(b) By 31 October 2025.</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
<b>Standard condition 1: Acquire the Land</b>	
<p>You must acquire the Land:</p> <ol style="list-style-type: none"> <li>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</li> <li>2. using the acquisition, ownership, and control structure you described in your application.</li> </ol> <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
<b>Standard condition 2: Tell us when you acquire the Land</b>	
<p>You must tell us in writing when you have acquired the Land. Include details of:</p> <ol style="list-style-type: none"> <li>1. the date you acquired the Land (<b>settlement</b>);</li> <li>2. consideration paid (plus GST if any);</li> <li>3. the structure by which the acquisition was made and who acquired the Land; and</li> <li>4. copies of any transfer documents and settlement statements.</li> </ol>	As soon as you can, and no later than two months after settlement
<b>Standard condition 3: Allow us to inspect the Land</b>	
<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"> <li>1. allow a person we appoint (<b>Inspector</b>) to: <ol style="list-style-type: none"> <li>a. enter onto the Land, including any building on it, other than a dwelling, for the purpose of monitoring your compliance with the Conditions (<b>Inspection</b>);</li> <li>b. remain there as long as is reasonably required to conduct the Inspection;</li> <li>c. gather information;</li> <li>d. conduct surveys, inquiries, tests, and measurements;</li> <li>e. take photographs and video records; and</li> <li>f. do all other things reasonably necessary to carry out the Inspection; and</li> </ol> </li> <li>2. take all reasonable steps to facilitate an Inspection including:</li> </ol>	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>	
<b>Standard condition 4: Remain not unsuitable to invest in New Zealand</b>	
<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 <b>Individuals Who Control You</b> 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
<b>Standard condition 5: Tell us about changes that affect you, the people who control you, or people you control</b>	
<p>You must tell us in writing if any of the following events happen to the Consent Holder:</p> <p>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.</p> <p>2. You cease to be an overseas person or dispose of all or any part of the Land.</p> <p>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.</p>	At all times

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

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.

If all or part of this standard condition 6 applies to a special condition, we have said so in that condition.

We will give you written notice if we require you to dispose of the Land. After we have given you notice, you must:

**Value the Land:** obtain and send us a copy of a market valuation of the Land from a New Zealand registered valuer. Within six weeks of the date of our notice

**Market the Land:** instruct a licensed real estate agent to actively market the Land for sale on the open market. Within six weeks of the date of our notice

**Dispose of the Land:** dispose of the Land to a third party who is not your associate. Within six months of our notice

**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. Within nine months of our notice

**Report to us about marketing:** tell us in writing about marketing activities undertaken and offers received for the Land. By the last day of every March, June, September and December after our notice or at any other time we require

**Report disposal to us:** send us, in writing, evidence of the following: Within one month after the Land has been disposed of

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.

**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) 30 November 2025
  - (b) 30 November 2026.

2. 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).
3. follow the format of the template annual report published on our website.
4. 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.

Appendix A

s9(2)(b)(ii)

Released under the Official Information Act 1982

**ATTACHMENT 2 – OWNERSHIP STRUCTURE**

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**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
<b>Historic heritage</b>	<b>Not relevant</b> - there are no places of historic heritage and wāhi tapu located on the Land.
<b>Oversight or participation by New Zealanders</b>	<b>Not relevant</b> - the Land is currently owned by New Zealanders.
<b>Consequential benefits</b>	<p><b>Insufficient benefit</b></p> <p><i>Rural population decline</i></p> <p>The Applicant referred to a Compass Agribusiness report which found that the actual number of people living rurally in New Zealand has increased during 2017-2021 by 2.51%.<sup>46</sup> The Applicant believes that converting s9(2)(b)(ii) to forest will not result in rural population decline. LINZ considers this does not constitute a benefit of the investment.</p> <p><i>Vendor's benefit in selling</i></p> <p>The Applicant has claimed without the forestry sector the Vendor would not have had an option to proceed with the proposed subdivision to sell the Land. As noted in the body of the report, after extensive advertising of the Land, the Vendor received only 1 offer which relates to this application. They did not have any farming interests tender on the Land. The only other party that was interested was another forestry party.</p>

<sup>46</sup> Page 6.

ATTACHMENT 4 – LUC MAP + EROSION SUSCEPTIBILITY

s9(2)(b)(ii)

s9(2)(b)(ii)

## ATTACHMENT 5 – CURRENT AND PROPOSED USE OF THE LAND

Droxford, 304 Middleton Road, Waipukurau, Central Hawke's Bay		
Land use	Current (ha)	Proposed (ha)
<b>Forestry</b> (8.7 hectares existing forestry, Applicant will plant 408.2 hectares)	8.7	416.9
<b>Unplanted (other than farm land)</b> - Native bush (including scrub) 30 ha - Unplanted – ridges, gullies, steep land 3.5 ha - Infrastructure – roads, tracks 5 ha - Buffer land, setbacks, riparian planting 26.3 ha	30 (native bush)	s9(2)(b)(i)
<b>Farm land</b>	s9(2)(b)(i)	0
<b>Land to be divested</b>	0	0
<b>Total</b>	s9(2)(b)(i)	s9(2)(b)(i)

**ATTACHMENT 6 – PHOTOS**

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*Extract from advertising materials*

**s9(2)(b)(ii)**

Released under the Official Information Act 1982

s9(2)(b)(ii)

Released under the Official Information Act 1982