

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

ASSESSMENT REPORT: Corisol New Zealand Limited

Date	9 June 2023	Classification	IN CONFIDENCE: Commercially sensitive
LINZ reference (Report reference)	202200568 (BRF 23-398)	Deadline	30 June 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

Our assessment timeframe required a decision by 23 May 2023 but we have been unable to meet that deadline due to extensive consultation with third parties. The Applicant's requested decision date was 5 January 2023. The Applicant advised us that it had sought an extension of the deadline after we advised that had extended the assessment timeframe due to consultation with other government agencies. We understand that the Applicant is now arranging a further extension of the commercial deadline.

LINZ Contacts

Name	Position	Contact	First contact
Pedro Morgan	Lead Advisor	04 460 2785	<input checked="" type="checkbox"/>
Luke Hilton	Senior Solicitor	04 460 0100	<input type="checkbox"/>

A. Summary

1. The Applicant seeks to acquire a freehold interest in approximately 300.0960 ha of farmland at [s 9(2)(a)] Otago (Land) under a Sale and Purchase Agreement with [s 9(2)(a)] (Vendor) dated 24 August 2022 (SPA) (Proposed Transaction).
2. The Land is currently used for dairy farming and winter grazing as a support block to the Vendor's main farm 25 km away. The Applicant intends to use the Land predominately for radiata pine afforestation.
3. For the reasons set out in this report, LINZ considers the investor test has been met.
4. LINZ considers that the Proposed Transaction will benefit New Zealand, although it is unclear whether the benefit is sufficient to meet the benefit to New Zealand test.
 - *Economic benefits:*
 - Increase the average number of full time equivalent (FTE) job opportunities from 0.8 direct (and 1.1 indirect) job opportunities (farming) to 2.3 direct (and 5.7 indirect) job opportunities (forestry).
 - Increase export receipts by approx. \$580,000 per annum.
 - *Advancing significant government policy:*
 - Support the transition from fossil fuels to biofuels because the trees to be planted will supply wood fibre residue to New Zealand.
Supports the national policy statement on freshwater management.
 - *Environmental benefits:*
 - Fence off and covenant a creek and wetland (approximately 4.4 ha) protecting it from cattle grazing as part of a subdivision and sale of surplus land (approximately 18.5 ha).
 - Increase setbacks protecting the [s 9(2)(a)] Stream on the north-western boundary of the Land.
 - Increase the biodiversity value of the Land through its management practices.
 - *Public access benefits:*
 - Provide access to the public for hunting pig and deer through a permit system, and
 - Provide access for iwi for cultural purposes on request.
5. The Applicant has also claimed Economic benefits relating to the reduced farm emissions and sequestration of carbon. It is unclear whether the claimed benefits are likely to occur, and if they do, how significant they are in the context of the Government's climate change objectives and obligations. These questions call for Ministerial judgment.
6. LINZ has not made a recommendation about whether the benefit to New Zealand test is met.
 - The claimed benefit relating to reduced farm emissions and sequestration of carbon is novel. LINZ considers that the weight given to this benefit may affect whether or not the benefit to New Zealand test is met, and in light of the claims made, is a judgement better made by Ministers.

- The Act provides that Ministers must take a proportionate approach to whether the benefit test is met. However, this is also the first application made under the benefit test for the conversion of farm land to forestry since the Act was changed in August 2022, and again LINZ considers that the assessment of proportionality involves judgement better made by Ministers.

Key information

Applicant	Corisol New Zealand Limited Switzerland (100%)
Vendors	[s 9(2)(a)] New Zealand (100%)
Land	A freehold interest in approximately 300.0960 hectares of sensitive land located at [s 9(2)(a)] Otago, comprised in record of title [s 9(2)(a)]
Consideration	\$ [s 9(2)(b)(ii)]
Sensitivity	Is more than 5 hectares of non-urban land
Relevant tests	Investor test: s16(1)(a) & s18A Benefit to NZ test – s16(1)(c)(ii) & s16A(1A) National interest test: s16(1)(g)

Timing

- The Overseas Investment Regulations 2005 specify the total assessment timeframe for this application is 100 working days. This application was extended by 30 working days in accordance with clause 7, schedule 5 of the Overseas Investment Regulations 2005.¹ This application is currently on day 112. We recommend a decision is made by 04 July 2023, being 20 working days from the date of this report.
- We have missed the assessment timeframe because we consulted with eight government agencies, which took longer than the 30-working day extension, and because this application is the first of its kind and involved a novel economic benefit proposal.

B. Decision

Core tests

- I determine that:

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

Relevant overseas person	Role
Corisol Holding AG	Parent of Applicant
Corisol New Zealand Limited	Applicant
[s 9(2)(b)(ii)]	

¹ Approved by Lead Advisor on 16 January 2023.

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

Individuals with control	Role
Vanessa Cynthia Frey	Director of CAG and Applicant
Beat Jakob Frey	President and director of CAG and director of Applicant
Bryan David Frey	Director of Applicant
Gerard Brendan Boock	Director of Applicant
Alexandra Christine Frey	Director of CAG
Brigitte Maria Frey	Director of CAG and Applicant

9.3 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.

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

Hon Damien O'Connor

Hon Barbara Edmonds

Agree

Agree

Disagree

Disagree

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

11.1 the criteria for consent in sections 16 and 16A have been met;

11.2 the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders); and

11.3 the benefit is proportionate to the sensitivity of the land and the nature of the transaction.

Hon Damien O'Connor

Hon Barbara Edmonds

Agree

Agree

Disagree

Disagree

12. 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

Hon Barbara Edmonds

Agree

Agree

Disagree

Disagree

National interest assessment

13. 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

14. 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: 13/ 08 / 2023

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: 27/ 8 / 23

Released under the Official Information Act 1982

C. Background and proposed transaction

15. The Applicant is ultimately owned by the [s 9(2)(a)] based in Switzerland. The Applicant owns over 20,000 hectares of land predominantly used for forestry across Northland, Canterbury, and Otago.
16. The Land in this case was originally part of a larger farm until it was subdivided off and sold to Vendor in 2009. At the time of subdivision, the Land was operated as part of a larger deer farm. For the last 13 years, the Vendor has used the Land as a dairy support block to its main farm, located 25km away.
17. The Applicant understands that the motivation for selling the Land is to enable the Vendor to purchase support land closer to its main farm.

Land

18. The Land is located beside another property owned by the Applicant at [s 9(2)(a)] [s 9(2)(a)]² and near to other properties recently acquired by the Applicant.³

[s 9(2)(a)]



Fig 1: Map extracted from [s 9(2)(b)(i)] Investment Proposal and Due Diligence Report dated 19 September 2022

19. The Land has been described as low altitude rolling hill country. There is low wind and environmental risk; the area in which the Land is situated has high rainfall and good soil depth; and there is a relatively short cartage on sealed public roads to domestic and export log markets.⁴

² Special forestry test consent granted on 8 November 2019 under case 201900417 to acquire approximately 489 ha in Otago.

³ Cases 202000236 decided 2 June 2020 (approximately 316 ha at 250 Sutherland Road, Otago), 202100373 decided 28 July 2021 (approximately 499 ha at 161 Roulston Road, Otago), 202200083 decided 5 May 2022 (8 Munro Road), 202200169 decided 1 July 2022 (approximately 421 ha at 1043 Breakneck Road).

⁴ Investment Proposal and Due Diligence Report, p 5.



Fig 2: Aerial photo submitted by the Applicant showing the Land outlined and the Stream running alongside the north-western boundary [s 9(2)(a)]

20. There are no fresh or seawater areas on the Land. The [s 9(2)(a)] Stream on the north-western boundary of the Land is adjoined by a 20-metre marginal strip. The Dunedin City Council planning map shows no significant landscape zones, significant natural areas, or archaeological sites.⁵ There is no record of Emissions Trading Scheme (ETS) registration notices on the record of title.⁶ The Land has a low erosion susceptibility.⁷
21. Aerial photos of the Land can be found in **Attachment 6**.

D. Application of the Act

22. 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 market.¹³
 - 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.¹⁴

⁵ The Applicant submitted the planning map as an appendix. See also *Investment Proposal and Due Diligence Report*, p 15.

⁶ See also *Investment Proposal and Due Diligence Report*, p 15.

⁷ *Investment Proposal and Due Diligence Report*, p 22.

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). The alternative is the relevant overseas person or each of the individuals with control is a NZ citizen or resident, which is not applicable to the proposed investment.

¹³ Section 16(1)(f) of the Act.

¹⁴ Section 16(1)(g) of the Act.

23. 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;¹⁵ and
 - We assess the investor test in Part E, the benefit to New Zealand test in Part F, and discuss national interest matters in Part H.

E. Applicant and investor test

24. This section describes the Applicant and assesses whether the investor test is met.

Business Activities

25. The Applicant is a repeat investor and substantial forest owner in NZ.
26. The Applicant was incorporated in 2011 to acquire approximately 18,251 ha of forestry land for which consent was obtained under the Benefit to New Zealand Test.¹⁶ These forests (seven in total) are in Canterbury. The Applicant has since complied with the conditions of consent, which included new and upgraded public access, and a new QE II conservation area.
27. [s 9(2)(b)(ii)]
28. Since 2019, the Applicant has made several successful applications for consent to acquire land for conversion to forestry through the Special Forestry Test totalling 3,708 ha, and consisting of approximately:
- 489 ha in Otago (case number 201900417);
 - 522 ha in Otago (case number 201900414);
 - 316 ha in Otago (case number 202000236);
 - 332 ha in Northland (case number 202100317);
 - 499 ha in Otago (case number 202100373);
 - 414 ha in Otago (case number 202200083);
 - 421 ha in Otago (case number 202200169); and
 - 715 ha in Canterbury (case number 202200228).
29. The land acquired in application 202100317 and 476.5 ha of the land in application 201900417 proved unsuitable for afforestation and has since been divested following discussions with LINZ. [s 9(2)(b)(ii)]

Ownership

30. A diagram of the ownership structure is in **Attachment 3**.
31. The Applicant is owned by Corisol Holdings AG (CAG), a [s 9(2)(b)(ii)] Swiss company.
32. [s 9(2)(b)(ii)]

¹⁵ Section 16A(1)(a) of the Act.

¹⁶ Application 201110053.

33. [s 9(2)(b)(ii)]

Control

34. The directors of CAG are Beat Frey, Vanessa Frey, Brigitte Frey, and Alexandra Frey.

35.

Relevant overseas person and individuals with control

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

Relevant overseas person	Role
Corisol Holding AG	Parent of Applicant
Corisol New Zealand Limited	Applicant
[s 9(2)(b)(ii)]	

37. We recommend that the 'individuals with control of the relevant overseas person' (IWC)¹⁷ are:

Individuals with control	Role
Vanessa Cynthia Frey	Director of CAG and Applicant
Beat Jakob Frey	President and director of CAG and director of Applicant
Bryan David Frey	Director of Applicant
Gerard Brendan Boock	Director of Applicant
Alexandra Christine Frey	Director of CAG
Brigitte Maria Frey	Director of CAG and Applicant

Summary of investor test

38. 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.**

¹⁷ Section 15.

F. Investment plan and benefit to NZ test

39. 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)

40. The Land is currently used as a dairy support block. There is a private stock water system, fences, and a woolshed. The paddocks are in good condition. The land that is too steep for tractor work has been left to revert to gorse.
41. There has been no capital expenditure for the Land over the previous two financial years. The Vendor estimates that the Land supports 0.34 full time equivalent (FTE) roles, however the hours worked vary considerably from month-to-month. There are no exports directly relating to or resulting from the Land.
42. There are measures in place to protect the natural environment. First, there is a dammed wetland on the eastern boundary of the Land beside [s 9(2)(a)] although the creek and wetland are unfenced and exposed to cattle grazing. Second, the [s 9(2)(a)] Stream is protected by a 20-metre esplanade strip containing a steep gully, with rocky bluffs, dense manuka, and gorse.
43. There are no known heritage sites on the Land.
44. There are paper roads next to the northern boundary (from [s 9(2)(a)] and [s 9(2)(a)] which provide some access to the [s 9(2)(a)] Stream esplanade strip. There is no evidence of any formed track or public use.
45. There is a 3-bedroom brick house and disused sheds on the southern side of the Land. The house is rented to a young family who work in the district.

Investment plan

46. By way of context, according to the government's *Industry Transformation Plan*,¹⁸ New Zealand has around 9.9 million hectares of land (38% of the country) with forest cover in 2021, with around 1.7 million hectares planted for production purposes. Approximately 57% by area of our commercial forests are overseas owned.

Applicant's general commercial strategy

47. In 2018 the Applicant undertook an expansion programme to create a forestry business in conjunction with its Canterbury land holdings. [s 9(2)(b)(i)]

48.

49. Despite that, the Applicant says that carbon income is not the primary motivation for its investment strategy. The motivation for the Proposed Transaction is exposure to New Zealand's forestry sector and the production of renewable fibre resources and harvestable wood products.

¹⁸ [Te Ara Whakahou – Ahumahi Ngahere – Forestry and Wood Processing Industry Transformation Plan](#), last accessed 8 May 2023, p 33.

50. While carbon income may not be the Applicant's primary motivation, we consider that it is likely to have been an important consideration in the Applicant's decision to invest. The Applicant's due diligence report indicates that the land value after the ETS credits have been removed is likely to be about \$^(b)_(m) stocked hectare, compared to \$^(b)_(m) stocked hectare being paid to acquire the land. Without revenue from carbon, it seems less likely that the Applicant would have been willing to acquire the land at the price it has offered.
51. The expected return on investment is forecast to be ^(b)_(p)%, assuming a carbon price of \$^(b)_(p)/t. Without the revenue from carbon, the return on investment would be significantly less.

Intended use of the Land

Forestry activities

52. The Applicant intends to plant 1,000 stems per ha in radiata pine on approximately 211 ha of the Land, before thinning to 650 stems per hectares at about year 9 and clearfell between years 26 and 30.
53. Grazing will cease over the Land by mid-2024 and unplanted areas (approximately 70.5 ha) will remain as neighbour setbacks, riparian setbacks, and reverting native bush. The Applicant submits that the removal of grazing will help ensure the unplanted areas revert to native bush over the next 30 years.
54. The Applicant proposes to use the Land nearly exclusively for forestry activities. Approximately 70.3% of the total land area will be used for forestry activities, consisting of existing plantation and new afforestation. Approximately 23.5% will be unplanted, consisting of native bush (including scrub and gorse), unplantable areas (ridges, gullies, steep land), infrastructure, and setbacks. Approximately 6.2% will be subdivided and sold.
55. **Attachment 2** contains a detailed table showing the current and proposed land use.
56. We are satisfied that the Land will be used for production forestry.
- Resource consent is not required because forestry is a permitted activity under the Otago Regional Plan.
 - The Applicant has appointed ^(b)_(i) as the forestry manager.
 - There are relatively short cartage distances to the nearest port and processing facilities:

Place	Distance from Land
Port Chalmers	46 km
Pan Pac Pacific, Milton	44 km
Fonterra, Mosgiel	18 km
Port Fonterra Stirling, Kaitangata	74 km
Odlins wood processing, Mosgiel	18 km

- The Applicant has advised that the initial processing of wood fibre residue typically occurs on forestry sites using mobile plant and equipment. The processed wood fibre is then screened on the Land, stored, and then transported to the customer. Current customers are typically heat plant operators, dairy factories, hospitals, schools, pools, kilns, and large residential facilities with collective heating systems such as university halls and retirement villages.

- [s 9(2)(b)(ii)]
[s 9(2)(b)(ii)] The key fibre supply requirement to enable investment in biofuel plants is the ability to contract a secure wood fibre supply from large scale forestry companies at commercial scale. The Applicant's investment plan to create a [s 9(2)(b)(ii)] hectare production forestry estate in Otago and Canterbury provides that investment security.

Land Use Capability (LUC)

57. The following Land Use Capability (LUC) class information¹⁹ provides general context as to the productive capacity and physical limitations of the land:

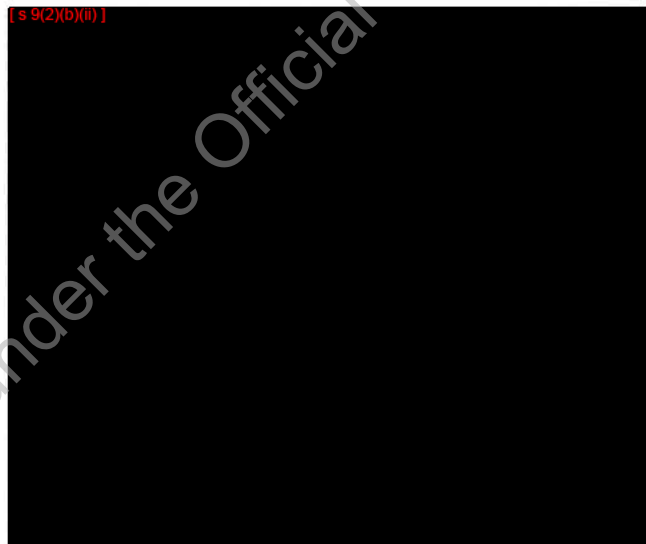
- LUC 3 (5 ha)
- LUC 4 (228 ha)
- LUC 6 (67 ha)
- LUC 7 (<1 ha)

58. **Attachment 4** provides further details relating to the Land's land use capability.

Subdivision

59. The Applicant intends to subdivide and sell approximately 18.5 ha. See **Appendix A of Attachment 1** for a diagram showing the area to be subdivided.

60. We had consulted with the Dunedin City Council regarding the viability of the subdivision. It confirms that the proposed subdivision would likely be granted.



Sky Blue:	178.5 ha	Pasture
Purple:	4.2 ha	Trees to be harvested in 2024
Brown:	28.5 ha	Gorse, Root Rake and Spray
Plantable:	210 ha	
Setbacks	5.5 ha	
Riparian	65.0 ha	
Yellow:	18.5 ha	Subdivision and on-sale

Fig 3: Establishment plan extracted from [s 9(2)(b)(ii)] Investment Proposal and Due Diligence Report dated 19 September 2022

¹⁹ The LUC classification system is a system in which land is categorised into eight classes based on a broad assessment of the land's capability and versatility for different types of agricultural production. Generally speaking, lower numbered classes (classes 1-5) are more productive and lend themselves to a broader range of activities (e.g. quality and versatile soils for farming), whereas classes 6-8 have greater limitations on what they can support and may be more appropriate for forestry.

Benefit claims

61. The Applicant submits that the Proposed Transaction is likely to deliver benefits to New Zealand. In undertaking our assessment of the following benefit claims, we consulted with several government agencies and their feedback is discussed below. We deal with the proposed conditions and their rationale after discussing the benefit claims.

Economic factor

Savings from reduction in farm emissions and carbon sequestration

62. The Applicant considers the Proposed Transaction is likely to deliver an economic benefit to New Zealand of between \$10.9m and \$17.5m by reducing the Government's need to purchase offshore carbon units to meet its Nationally Determined Contribution (NDC) under the Paris Agreement. The Applicant claims it will do this by both reducing the existing farming emissions and increasing carbon sequestration on the Land through afforestation.
- The \$10.9m claim is based on the price of carbon, while the \$17.5m claim is based on "shadow values".
 - The shadow values are broadly based on the estimates of the anticipated future costs of emissions reductions (abatement) required to reach New Zealand's *domestic targets*, as reflected in the Climate Change Commission's final advice on the first emissions budgets and first emissions reduction plan. They do not represent estimates of what potential costs for offshore abatement to achieve the NDC could be (which could be both more or less expensive than anticipated domestic costs).
 - The Applicant argues that shadow values are a more realistic measure of the cost of increased emissions based on Treasury guidance to the Government and all Government agencies.
 - However, the Treasury's recommended shadow values are only recommended for use by central government, given they reflect the potential whole-of-economy costs of additional (or reduced) emissions, from the perspective of meeting national targets. Critically, the Treasury's shadow values only monetise and do not quantify.
63. The ETS is one of the tools available to the Government to meet its NDC under the Paris Agreement. When the Applicant registers eligible land in the ETS, it will receive New Zealand Units (NZUs) in proportion to its carbon sequestration activities.
64. However, LINZ considers that the NZUs issued to the Applicant can be on-sold to emitters allowing them to maintain higher emissions than they would otherwise. As a result of this on-sale of NZUs, total net carbon emissions (emissions minus removals) in New Zealand would not *necessarily* decrease, in which case the effect on the NDC would be neutral.
65. The Applicant disputes the rationale that the carbon sequestered through afforestation by the Applicant can be sold to another emitter. The Applicant argues that the unknown future actions of a hypothetical third-party industry emitter should not be relevant to, or invalidate, the Applicant's known emission reductions. The Applicant's proposal for this Land will reduce net emissions for New Zealand via its carbon sequestration compared to the Vendor's farming activities.

66. LINZ considers that retiring the Land from grazing will likely result in a reduction in gross emissions. However, the grazing activity could be moved elsewhere, and the emissions from farming these animals simply be relocated to another property. In any event, given the small size of the Land, any impact on the NDC from retiring the land from grazing is unlikely to be significant. Despite this the Applicant maintains that its proposal for this Land will reduce net emissions for New Zealand via its carbon sequestration compared to the Vendor's farming activities.
67. The Treasury does not report New Zealand's NDC commitment as a liability in the financial statements of government as there is no financial sacrifice if the target is not achieved. More broadly, Governments can modify or change the obligation before it crystallises. It is within the discretion of Government to adjust the timing and nature of the costs that will be incurred to meet targets by selecting from a range of policy options available to reduce emissions. A recently published joint report by the Treasury and the Ministry for the Environment makes it clear that the cost of achieving New Zealand's first NDC is highly uncertain. This includes significant uncertainty regarding the degree to which offshore mitigation may be required and at what cost.
68. We consulted with Manatū Mō Te Taiao Ministry for the Environment (**MfE**), and Manatū Ahu Matua Ministry for Primary Industries (**MPI**), and Te Tai Ōhanga The Treasury (**Treasury**) in preparing this advice.

Creation of job opportunities

69. The Applicant says that its investment will create new job opportunities, with direct and indirect employment arising from the Land increasing from 1.88 FTE to 8 FTE as a result of the investment.

Type of job opportunity	Status quo	With the investment
<u>Primary</u> : activity on the Land and directly supporting activity on the Land, though to the delivery of product to the customer, such as planting, harvest, forest management, and transport	0.78	2.27
<u>Secondary</u> : other activity off the land, such as domestic processing and exporting	1.10	5.73
TOTAL	1.88	8.00

70. The Applicant relies on a report prepared for Beef and Lamb New Zealand²⁰ for its estimate that for each primary on-farm direct FTE (the Land supports 0.34 FTE at present), there are 1.32 on-farm indirect FTEs (engaged in supporting the farmer, providing materials, and transporting livestock to the point of sale), and 3.24 indirect FTEs (providing secondary off-farm employment, including the slaughter, processing and export of livestock). On this basis the Applicant estimates that the current state has 1.88 jobs (0.34 FTE on farm, 0.44 on farm indirect, and 1.1 off farm indirect)

²⁰ Economic Contribution of the New Zealand red meat industry, June 2020, S G Heilbron, Economic and Policy Consulting, Beef & Lamb commissioned report.

71. The Applicant has assessed the specific annual employment hours that will occur on the Land (for each skill set) to undertake the subdivision, forestry operations, harvest, and delivery of wood produce to customers. The Applicant claims that its investment will result in 8 primary and secondary FTE job opportunities in total. However, of these, only 2.27 FTEs will be on the Land or directly supporting activity on the Land, with the remaining 5.73 FTEs resulting from the economic activity generated on the Land (eg: processing of timber products).
72. Unlike some investments, where the new job opportunities will result in an identifiable individual being appointed, the 2.27 FTE primary job opportunities will be spread over the lifetime of a rotation and may be filled by different individuals at different times. Regardless, LINZ considers that these job opportunities are likely to result from the investment.
- More job opportunities will exist in the first two years after the investment is made, while the Land is prepared for planting and is planted.
 - More job opportunities will exist at about year ten, when thinning will occur.
 - Significantly more job opportunities will exist between years 26 and 29 as harvest and replanting occurs.
 - Significantly fewer job opportunities will exist at other times.
73. The secondary job opportunities are less likely to occur. The estimated 5.73 FTE job opportunities result from other economic activity (like domestic processing) which may or may not result from this investment. The estimated 5.73 FTE job opportunities represents the modelled number of job opportunities thought to exist as a result of forestry investment in the Otago and Southland regions generally. Whether further such job opportunities will result from this investment is difficult to predict.
74. The Applicant has attempted to estimate the monetary value of its likely job creation using Treasury's guidance (7 October 2022) on valuing economic benefit of increased employment,²¹ namely, using the present value of the average FTE income but with a discount rate of 5%. The Applicant proposes to increase the present value of primary FTEs by \$1,455,000 (Farming=\$1,735,800, Forestry=\$3,190,000), and secondary FTEs by \$1,347,000 (Farming=\$2,198,800, Forestry=\$3,545,000).
75. LINZ doubts whether this is a helpful way to quantify the benefit of the new job opportunities. Instead, a direct comparison of the number of new job opportunities is likely to be a sufficient comparison in most cases. Nonetheless, the Applicant's analysis of the estimated monetary value of the job opportunities is provided for completeness.

Increased export receipts and increased GDP and reduced imports

76. The Applicant proposes that afforestation of the Land will increase export receipts by approximately \$580,000 per annum on average over the life of the development.
77. The Applicant also proposes that its investment strategy for the Land will increase the value of NZ's economy by \$12.2M in perpetuity, and that GDP growth will be supported by reduced fossil fuel imports.
78. The Applicant has claimed that Otago and Canterbury are leading the conversion of heating plants in hospitals, schools, public pools, and dairy factories from coal to wood fibre. The primary constraint on these conversions is limited supply of wood fibre residue, which the Applicant's afforestation proposal will supply.

²¹ See [CBAX Spreadsheet Model \(treasury.govt.nz\)](https://www.treasury.govt.nz), last accessed on 8 May 2023.

79. MPI's view was that the economic gains through afforestation may need to be offset against reduction in meat and milk production. MPI also said it was beneficial to process wood locally rather than export all of it. Processing locally leads to a higher quality product (due to residue production from wood processing).

Advance significant government policy factor

Industry Transformation Plan

80. In support of the policy "Forestry and wood processing – Industry Transformation Plan 2022" the Applicant claims afforestation will support the transformation to biofuels through wood fibre residue. As the government is also proposing new planting to address the future demand for wood fibre, it clearly considers that the generation of wood which may not be available for harvest until post 2030 (depending on the species of trees planted) is still appropriate for supporting the Industry Transformation Plan. The Applicant also notes that the Government has signalled the afforestation priority for this 10,000- hectare afforestation programme is specifically Otago and Canterbury (to enable the conversion of dairy factory heat plants from coal to wood fibre).
81. The Industry Transformation Plan states that global demand for wood fibre is expected to increase by 10% by 2030 and by 30-40% by 2050.²² Once an economy of scale for wood fibre production is created by large industry operators, smaller consumers will then follow, sustaining and also multiplying the high demand for wood fibre past 2030, to at least 2050 when the forest will mature and then form part of Otago's sustainable harvest.
82. The Applicant submits that its afforestation will help reduce the government's 10,000 ha programme and save the taxpayer approximately \$3.3 million based on an estimate cost of land and afforestation and administration prior to harvest at \$15,000 per ha.
83. MPI commented on future wood supply conditions. There is forecast to be a drop in supply of food fibre by during the 2030s. This proposal will contribute to longer term supply, and processing sector growth, rather than supporting supply conditions during this period, unless the applicant was open to considering a short rotation crop. The land is located in close proximity to existing forestry holdings, and will have the potential to support existing processing facilities as well as developing wood fibre initiatives (Dunedin city is a destination for residue use). It is important to prioritise wood fibre availability to meet domestic processing demand.
84. MPI also referred us to clause 13 of the Sustainable Biofuel Obligation Bill. There may be issues with displacing food production on higher value LUC land.

National Policy Statement – Freshwater Management

85. In support of the national policy statement on freshwater management the Applicant claims that it will take a proactive approach by the fencing of a wetland and creek on the Land²³ (which will ensure the exclusion of cattle and avoid any associated contamination) and by increasing the amount of land retained in riparian setbacks and/or reserves bordering waterways such as Lee Stream on the Land.
86. MPI's view was that, overall, fencing off would contribute to Policy 12 regarding achieving the national target for water quality improvement, but it is arguable that it would have implications for Policy 15 that communities be enabled to provide for social, economic, and cultural wellbeing in a way that is consistent with the NPS-FM. However, this depends on the state of the water system and how far the Otago Regional Council is from meeting its water quality targets.

National Policy Statement – Indigenous Biodiversity

²² Te Ara Whakahou – Ahumahi Ngahere Forestry and Wood Processing Industry Transformation Plan (November 2022), p 21.

²³ The Applicant's forestry consultant estimates that 325 metres of boundary fencing is required on the Land. See *Investment Proposal and Due Diligence Report*, p 5.

87. The Applicant's afforestation proposal is likely to be consistent with the proposed NPS-Indigenous Biodiversity (NPS-IB) by, amongst other actions, providing for the protection, maintenance, and restoration of native habitat.
88. However, as the NPS-IB has not yet been approved by the Government, LINZ considers that it cannot (yet) be described as a "significant Government policy or strategy". These developments could, however, be considered under the environmental factor.
89. MfE's view is that plantation forests do provide habitat but not as much as indigenous forests.
90. MPI's view was that the changes in land management, moving away from grazing to a pine forest, with setbacks, fencing and reserves would be more diverse than just grassland (the counterfactual).
91. The Department of Conservation's view was that the change of use to forestry will have a significant impact on waterways through changes to any existing habitats, debris/sediment in waterways and reducing the water yield. Retaining the gorse in the interim, particularly in the gullies would likely ensure sediment buffers for waterways and provide habitat corridors connecting [s 9(2)(a)]. It would be beneficial to retain these areas, and overtime regenerating native plants, and any additional improvement planting, will top the gorse.

National Policy Statement – Highly Productive Land

92. In support of the National Policy Statement for Highly Productive Land the Applicant claims that the subdivided land (approximately 18.5 hectares) will remain rural land and no additional housing will be built on the land retained for forestry purposes.
93. The Applicant has included commentary about the NPS-HPL only to dispel any notion the Applicant's proposal conflicted with the NPS-HPL.

Environmental factor

94. The Applicant proposes to set back planting from the esplanade strip even further by at least 20 metres and by up to 100 metres. The Applicant also proposes to fence off and covenant the creek and wetland area (approximately 4.4 ha) as part of the subdivision of approximately 18.5 ha. The fencing and covenant will prevent further grazing and enable native reversion and improved ecological values over time.
95. The QEII National Trust (QEII) view was that there are some values in the area proposed for protection. However some management to assist the regeneration of the site would be required for the site to be at a standard appropriate for covenanting. QEII also noted that, from the material provided, the site should be considered more for a *terrestrial* restoration project than a wetland.

Public access

96. The Applicant proposes to continue the current access arrangements through the esplanade strip protecting the [s 9(2)(a)] Stream and paper roads running from [s 9(2)(a)].
97. After afforestation, the Applicant offered to provide access for hunters via a permit system to maintain pig and deer numbers. The Applicant was conditioned to provide public access under a permit system in one other consent (case 202200228, granted 18 August 2022). This consent is too recent for LINZ to have formed a view on whether this access arrangement will be successful or not.
98. The Applicant also offered to provide access to iwi for cultural purposes.

99. The Herenga ā Nuku Outdoor Access Commission (**OAC**) view was that they are constantly dealing with situations where forestry has 'accidentally' been planted over unformed legal roads, with the forestry company then preventing the public using the formed track which is located on private land. The legal access becomes unpractical to use and the practical access cannot be legally used. OAC are also not aware of any existing arrangements on the Land.
100. Pouhere Taonga | Heritage New Zealand (**Heritage NZ**) confirmed that while there are no *listed* historic places on the Land, they could not confirm that there are no historic heritage values associated with the Land at all. Heritage NZ recommended that the owners consult with Ngāi Tahu regarding the presence and protection of any Māori heritage values on the Land.

Nga Kōrero Anake | Information only - Te Rūnanga o Ngāi Tahu

101. The Applicant has submitted that they are willing to consult with Te Rūnanga o Ngāi Tahu and Te Rūnanga o Ōtākou and state that this is best addressed after it has bought the Land (if consent is granted). Ngāi Tahu will also be offered an opportunity to inspect the Land. The Applicant has also submitted that it bought land from Te Rūnanga o Ngāi Tahu in 2011 which was subject to a memorandum of encumbrance. (Note that this land is different from the land in the application under active consideration.)
102. LINZ has advised Te Rūnanga o Ngāi Tahu of the application, but has not undertaken any form of formal consultation. LINZ's communication was "for information only".

Proposed conditions and rationale

103. The Applicant's afforestation proposal is the primary action from which all the specific benefit claims flow.
104. In addition to using the Land for forestry activities (including planting, maintaining, harvesting and replanting a crop of threes), the draft conditions of consent also:
- prohibit registering the crop of trees as permanent forestry under the ETS (while allowing native forestry, such as riparian margins, to be registered as permanent forestry if they qualify)
 - require the Applicant to comply with the NES-PF, giving LINZ the ability to take action against the Applicant for breaches of legislated minimum forest practice standards
 - require the Applicant to consult with QEII about the wetland development
 - requires the Applicant not to plant within 40 metres of the s 9(2)(a) Stream
 - require the Applicant to provide public access to the Land by way of a permit system
 - prohibits planting on legal roads without the agreement of the Otago Regional Council
 - requires the Applicant to engage with iwi.

Summary of benefits

105. 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.
106. 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 5**.

107. 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

108. This table assesses the benefits to NZ likely to result from the investment and the relative weight to be given to each.

Relevant Benefit factor	Economic factor	
Indicative Strength	<p>LINZ considers that the assessment of claims relating to the reduction in farm emissions and carbon sequestration requires Ministerial judgement.</p> <p>LINZ considers the strength of other economic benefits to be weak to moderate.</p>	
Proposed special conditions	Special conditions 1 to 8.	
Claimed benefit	Savings from reduction in farm emissions and carbon sequestration	
	<i>Applicant's claims: what they intend to do</i>	<i>Current state</i>
	Sequestration of carbon. Reduced emissions. Present value of savings to New Zealand of \$17.5 million based on shadow values.	Dairy farming and grazing. No capital expenditure for the land over the previous two financial years, only maintenance.
	<i>LINZ analysis</i>	
	It is unclear whether the claimed benefits are likely to occur, and if they do, how significant they are in the context of the Government's climate change objectives and obligations. These questions call for Ministerial judgment.	
Claimed benefit	Increase in FTE job creation	
	<i>Applicant's claims: what they intend to do</i>	<i>Current state</i>
	8 FTE job opportunities on average over the life of the investment	1.8 FTE job opportunities
	<i>LINZ analysis</i>	

	<p>LINZ agrees that the proposal is likely to result in the creation of new job opportunities.</p> <p>However, the Applicant claims that job opportunities will exist on the Land (like planting and harvesting), supporting activity on the Land (like forestry management) and as a result of activity on the land (like processing).</p> <p>While the claimed 2.27 FTE direct job opportunities (like planting, harvest, and transport) are likely to occur, the 5.73 FTE supporting job opportunities (like processing) are less likely to occur. Whether further such job opportunities will actually result from this investment is difficult to predict.</p>	
Claimed benefit	Increased export receipts and increased GDP and reduced imports	
	<i>Applicant's claims: what they intend to do</i>	<i>Current state</i>
	Increase export receipts by approx. \$580,000 per annum and increase GDP by \$12.2 million in perpetuity. Reduced oil imports.	There are no annual exports relating to/ resulting from the Land, Dairy farming and grazing.
	<i>LINZ analysis</i>	
	<p>LINZ agrees that the proposal is likely to result in an increase in export receipts, and result in an increase the gross domestic product.</p> <p>However, to the extent that the export receipts will benefit New Zealand, that benefit will most likely manifest itself in employment opportunities that will be funded by those export receipts, and domestic spending that will be reflected in the increase in GDP.</p>	

Relevant Benefit factor	Advancing significant government policy	
Indicative Strength	Weak	
Proposed special conditions	Special condition 10 and 12 to 14.	
Claimed benefit	Industry Transformation Plan	
	<i>Applicant's claims: what they intend to do</i>	<i>Current state</i>
	Support policy by supplying wood fibre residue to area of demand.	Dairy farming and grazing.
	<i>LINZ analysis</i>	

<p>The proposal to support the Industry Transformation Plan would benefit New Zealand but the first rotation harvest will come too late to meet the expected drop in supply in the 2030s, which is expected coincide with a 10% increase in demand.</p> <p>The Applicant has also claimed increased export receipts which may result in less domestic processing of logs and less wood fibre residue and fewer harvested wood products for New Zealand. This element may hinder the transformation plan.</p>	
<p>National Policy Statement – Freshwater Management</p>	
<p><i>Applicant's claims: what they intend to do</i></p>	<p><i>Current state</i></p>
<p>Proactively fence off and covenant creek and wetland. Increase setbacks from waterways.</p>	<p>Unfenced creek and wetland. No setbacks.</p>
<p><i>LINZ analysis</i></p>	
<p>LINZ's view is that while the Proposed Transaction supports the national policy statement on freshwater management, the relatively small scale of the Land and the waterways concerned mean that the benefit is unlikely to be significant.</p>	
<p>National Policy Statement – Indigenous Biodiversity</p>	
<p><i>Applicant's claims: what they intend to do</i></p>	<p><i>Current state</i></p>
<p>Support policy by clearance of gorse, fencing creek and wetland, and doubling IB value. Managing the Land and nearby property at [s 9(2)(a)] as a single management unit.</p>	<p>Dairy farming and grazing. Unfenced creek and wetland. No setbacks.</p>
<p><i>LINZ analysis</i></p>	
<p>As the NPS-IB has not yet been approved by the Government, LINZ considers that it cannot (yet) be described as a "significant Government policy or strategy". These developments should instead be considered under the environmental factor.</p> <p>While the Proposed Transaction may well result in benefits to indigenous biodiversity, the relatively small scale of the Land and the waterways concerned mean that the benefits are unlikely to be significant.</p>	
<p>National Policy Statement – Highly Productive Land</p>	
<p><i>Applicant's claims: what they intend to do</i></p>	<p><i>Current state</i></p>
<p>Subdivide and sell 18.5 ha of surplus land.</p>	<p>Dairy farming and grazing.</p>

	LINZ analysis
	<p>Little to no benefit will result from advancing the NPS-HPL.</p> <p>Compared to the counterfactual (under which the entire property remains productive) the Proposed Transaction will not support the NPS-HPL.</p> <p>The Applicant has included commentary about the NPS-HPL only to dispel any notion the Applicant's proposal <i>conflicted</i> with the NPS-HPL.</p>

Relevant Benefit factor	Environmental factor	
Indicative Strength	Weak	
Proposed special conditions	Special conditions 13 and 14.	
Claimed benefit	Fence off creek and wetland & increased setback	
	<i>Applicant's claims: what they intend to do</i>	<i>Current state</i>
	Fence off and covenant 4.4 ha of the total 18.4 ha subdivision and sale of surplus land. Increase setback from 20 metre esplanade strip by a further 20 metres at least.	Unfenced creek and wetland. No setbacks.
	LINZ analysis	
	The proposal would likely deliver some benefit to New Zealand but has already been proposed under the advancing significant government policy factor. The fencing off and covenanting of 4.4 ha would reduce the amount of land available for farming and limit the economic use of the surplus land for a prospective farmer purchaser.	

Relevant Benefit factor	Public access	
Indicative Strength	Weak	
Proposed special conditions	Special conditions 11, 15 and 16.	
Claimed benefit	Hunting permit and iwi access	
	<i>Applicant's claims: what they intend to do</i>	<i>Current state</i>

	Provide access to the public for hunting, and access to iwi for cultural purposes.	Esplanade strip protecting the [s 92(a)] Stream. No evidence of permits for hunting by the public or iwi access.
	<i>LINZ analysis</i>	
	<p>The Land does not have attributes that would benefit much from additional public access. The Applicant made general high level offers to accept conditions without giving specific details.</p> <p>LINZ's view is that no benefit arises from access over the esplanade strip or paper roads as this access exists under the counterfactual.</p> <p>However, access for hunters would represent a benefit, albeit a small one.</p>	

Consultation and submissions about the investment

109. No third-party submissions from the public were received in relation to this application. In undertaking our assessment, we consulted with eight central and local government agencies: MPI, MfE, Treasury, OAC, DOC, Heritage NZ, QEII, and DCC.
110. In general, we requested these agencies to give feedback on the credibility and accuracy of the Applicant's proposals in the investment plan. We have dealt with any feedback we received on specific proposals in the body of our assessment report immediately after the relevant proposal.

Conclusion – benefit to NZ test

111. 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.
112. 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

113. The Act requires a proportionate approach to whether the benefit test is met,²⁴ 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 interest that the public have in the land); and
 - the nature of the overseas investment transaction (for example, the estate or 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 land).
114. Matters relevant to the sensitivity of the Land are likely to include:
- Matters indicating diminished sensitivity:

²⁴ Section 16A(1A)(b) of the Act.

- the relatively small size of the Land
- the fact that the land is sensitive only because it is non-urban land larger than 5 ha
- Matters indicating increased sensitivity:
 - the fact that the Land is farm land, and the Land's LUC classes
 - public interest in the use and management of farm land

115. Matters relevant to the nature of the overseas investment transaction include:

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

116. As this is the first application for consent for a forestry conversion since the Act was amended in August 2022, LINZ considers that Ministerial judgement is called for in determining the importance that should be given to benefit factors as well as the weighting that given to individual benefits in regard to this sort of investment.

117. Again, LINZ considers that the novel claims regarding the reduction in emissions and sequestration of carbon call for Ministerial judgement. If you consider these benefits to be particularly strong, then you might reasonably conclude that the benefit test was met. If you consider these benefits to be weaker, then you might reasonably conclude that the benefit test was not met.

118. However, unless you consider the level of benefit required (proportionality) to meet the benefit to New Zealand test was relatively low, then LINZ would consider that the remaining benefits (including the other economic benefits, public access benefits, and environmental benefits) are unlikely to be sufficient to meet the benefit to New Zealand test for this investment.

G. Farm land offer test

119. Because the Land is farm land,²⁵ we note that it was advertised for sale on the open market with the required information for a period exceeding 30 working days on various websites²⁶ and in newspapers,²⁷ within the 12 months preceding the date the transaction that requires consent was entered into.²⁸

120. We are satisfied the regulations requiring the farm land to be offered for acquisition on the open market have been complied with.²⁹

²⁵ Currently being used primarily for a support block for R1 and R2 heifers, beef, and wintering (plus two stands of forestry trees totalling approximately 4.2 ha) (see the definition of farm land in s 6 of the Act).

²⁶ Trade Me and Realestate.co.nz (amongst others) from 23 December 2021 to 16 March 2022 (51 working days). LINZ understands that the Land subsequently became subject to a conditional contract. The contract failed to go unconditional. After that, the Land remained on the market for sale, but public advertising ceased. The Applicant has advised that, at the time of advertising, it was completing due diligence on another property and did not participate in the tender. Property Brokers approached the Applicant at the end of March 2022. The Applicant entered a conditional sale and purchase agreement on 24 August 2022, which is 161 working days since the Land was first publicly listed on 23 December 2021.

²⁷ *Otago Daily Times* (published 19 February 2022, 5 March 2022, and 12 March 2022) and *Property Brokers Rural Outlook Magazine* (published 16 March 2022).

²⁸ Sale and purchase agreement dated 24 August 2022.

²⁹ Overseas Investment Regulations 2005, regulations 5 to 10.

H. Not a transaction of national interest

121. The investment does not involve a transaction of national interest under the mandatory criteria of the Act.³⁰ 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).
122. 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.³¹ He has therefore not declined consent to the transaction.
123. We are directed³² 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:
- 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).
124. We do not consider that this investment engages any of these risk factors.

I. Conclusion

125. After considering the application, our view is that:
- the investor test has been met;
 - the transaction is not considered to be a transaction of national interest, and
 - whether the benefit to New Zealand test is met is a matter requiring Ministerial judgement.
126. If you decide to grant consent, we refer you to **Attachment 1** to review the Proposed Decision (including consent conditions), and from page 3 of this Assessment Report to record your decision.

[s 9(2)(a)]



Pedro Morgan
Lead Advisor
Overseas Investment -LINZ
Date: 9 June 2023

³⁰ Under s 20A of the Act.

³¹ Section 20B of the Act

³² Ministerial Directive Letter (24 November 2021).

J. List of Attachments

1. Proposed Decision
2. Applicant's track record with LINZ
3. Ownership structure
4. Land use capability
5. Other benefit factors
6. Photos

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	202200568
Consent type	One-off Consent (forestry activities) for an overseas investment in sensitive land.
Consent	The Consent Holder may acquire the Land subject to the Conditions set out below.
Consent Holder	Corisol New Zealand Limited (New Zealand company number 3327654) (You or the Consent Holder)
Land	A freehold interest in approximately 300.0960 hectares of sensitive land located at [s 9(2)(a)] [s 9(2)(a)] Otago, comprised in record of title [s 9(2)(a)]
Timeframe	You have until [TBC] 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 (**LINZ**) as **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** that had already been established on the Land; and
- 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.

Dwelling means the 3-bedroom house and sheds (but not the woolshed) located on the Other Land and near Mosgiel on a sealed road. See Appendix A.

Esplanade Strip means the marginal strip protecting the [s 9(2)(a)] Stream and registered under instrument [s 9(2)(a)] pursuant to Section 232 Resource Management Act 1991. See Appendix B.

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, set-backs, buffer area, riparian planting and other land reasonably deemed "non-productive").

[s 9(2)(a)]

Other Land means Land that is not Forestry Land (which, for the avoidance of doubt, comprises approximately 18.5 hectares containing the Dwelling and wetland area and creek to be subdivided and sold). See Appendix A.

Planting Plan means a plan that describes how the Land will be planted and identifies and explains: the area of the Land suitable for planting, the area you will plant with trees, the type of trees you will plant, and a map showing the same.

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.

Special conditions

You must comply with the following **special conditions**. These apply specifically to this Consent and were considerations that particularly influenced us to give consent:

Details	Required date
Special condition 1: Land must be planted with trees	
You must establish a new crop of trees on the Land covering at least 180 hectares. The crop of trees must be established in accordance with the Planting Plan.	By 31 July 2026
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
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 650 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.	
Special Condition 4: Crop of trees must be harvested	
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.	
Special condition 5: Trees must be replanted after harvest	
You must replace each crop of trees you harvest with a new crop of trees (Replant). You may Replant on a like-for-like basis or on any similar basis. This condition does not require you to: 1. replant the Land with the same species of tree or use the same silvicultural regime; or	Within 3 years of harvest (or as otherwise permitted by this condition).

Details	Required date
<p>2. do anything in breach of any other Act, regulation, rule, bylaw, or that is otherwise contrary to law.</p> <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>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: Confirm area of Forestry Land and Other Land</p>	
<p>You must:</p> <p>(a) confirm to us in writing the area of Forestry Land and the area of Other Land,</p> <p>(b) provide a map showing the extent of the Forestry Land and the Other Land, and</p> <p>(c) provide a Planting Plan for the Forestry Land.</p>	<p>By 30 November 2024</p>
<p>Special condition 7: Subdivide and dispose of Other Land</p>	
<p>You must complete a subdivision so the Other Land can be disposed of.</p>	<p>By 31 July 2025</p>
<p>You must dispose of the Other Land.</p>	<p>By 31 July 2026</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: ETS registration</p>	
<p>You must not register the crop of trees 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>	

Details	Required date
Special condition 9: Non-occupation outcome	
<p>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):</p> <ul style="list-style-type: none"> (a) You; (b) Any overseas person with a more than 25% ownership or control interest in any of the people in (a); (c) Any overseas person who occupies the Land other than on arm's length terms³³; (d) Any overseas person who has a beneficial interest in, or beneficial entitlement to, the relevant interest in the Land; (e) If (a) is a trust, any beneficiary (direct or indirect) who may benefit under the trust at the trustees' discretion. <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>	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>	
Special condition 10: Permitted temporary activities	
<p>The Land may be used temporarily for the following activities for transitional purposes:</p> <ul style="list-style-type: none"> (a) The Land may be grazed prior to being planted with a crop of trees in accordance with Special Condition 1 (Land must be planted with trees); and (b) The Dwelling on the Land may be used for residential purposes. 	<ul style="list-style-type: none"> (a) Until 31 July 2025 (b) Until 31 July 2026

³³ '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
Special condition 11: Existing arrangements	
<p>You must implement and maintain:</p> <p>(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).</p> <p>(b) all Arrangements, including Arrangements you did not identify in your application for consent.</p>	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>	
Special condition 12: Comply with National Environmental Standards for Plantation Forestry	
<p>You must comply with the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017 (as amended), or any replacement to the regulations.</p>	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>	
Special condition 13 – Consult Ngā Kairauhī Papa QEII National Trust to fence off and covenant creek and wetland on the Land	
<p>You must:</p> <p>(a) consult with Ngā Kairauhī Papa QEII National Trust regarding:</p> <ol style="list-style-type: none"> i. any proposed territorial restoration project, and ii. the details of the covenant over approximately 4.4 hectares of creek and wetland to be registered over part of the Other Land. <p>(b) allow access to their representative to get on-site to the Land to assess the area first.</p> <p>(c) complete registration of the covenant.</p> <p>(d) complete fencing off the creek and wetland.</p>	<p>(a) By 31 July 2025</p> <p>(b) By 31 July 2025</p> <p>(c) By 31 July 2026</p> <p>(d) By 31 July 2026</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>	

Details	Required date
Special condition 14 – Increase setback from [s 9(2)(a)] Stream	
You must not plant a crop of trees within 20 metres of the Esplanade Strip protecting the [s 9(2)(a)] Stream on the Land.	By 31 July 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 15: Deliver better access to the Land	
<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 non-motorised vehicle 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> <ol 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>This condition does not limit Special Condition 11 (Existing arrangements).</p> <p>(b) provide access to the Land to Te Rūnanga o Ngāi Tahu and Te Rūnanga o Ōtākou for cultural purposes on request and in line with Special Condition 16.</p> <p>(c) obtain the Otago Regional Council's agreement before planting trees on unformed legal roads on the Land.</p>	<p>(a) At all times.</p> <p>(b) At all times.</p> <p>(c) At all times.</p>

Details	Required date
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 16: Engage Te Rūnanga o Ngāi Tahu and Te Rūnanga o Ōtākou	
<p>You must:</p> <ul style="list-style-type: none"> (a) engage with Te Rūnanga o Ngāi Tahu and Te Rūnanga o Ōtākou to develop and record a memorandum of encumbrance or similar document outlining recommendations for environmental protections on the Land, and (b) offer Te Rūnanga o Ngāi Tahu the opportunity to inspect the Land. 	<ul style="list-style-type: none"> (a) By 31 July 2026 (b) By 31 July 2026
If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the Land.	

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); 	As soon as you can, and no later than two months after settlement

Details	Required date
<ul style="list-style-type: none"> 3. the structure by which the acquisition was made and who acquired the Land; and 4. copies of any transfer documents and settlement statements. 	
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: <ul 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: <ul style="list-style-type: none"> a. directing your employees, agents, tenants, or other occupiers to permit an Inspector to conduct an Inspection; and 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. 3. During an Inspection: <ul style="list-style-type: none"> 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 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>At all times</p>

Details	Required date
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>	
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

Details	Required date
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: <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. 	Within one month after the Land has been disposed of

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; and
 - (b) 31 August 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),
 - b. the subdivision of the Other Land, and
 - c. 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.

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Appendix A

Extract from Investment Proposal and Due Diligence Report – [s 9(2)(b)(ii)]
showing the proposed subdivision of approximately 18.5 hectares outlined in yellow

[s 9(2)(a)]



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Appendix B

Extract from investment plan showing esplanade strip on record of title

[s 9(2)(a)]



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ATTACHMENT 2 – LAND USE TABLE

[s 9(2)(a)] - 300 hectares		
Land use	Current (ha)	Proposed (ha)
Forestry including Cutover (total)	4.2 ha	211.0 ha
Unplanted (<i>other than farm land</i>) (total)	74.0 ha	70.5 ha
Farm land (total)	221.8 ha	0.0 ha
Land to be divested/subdivided and sold (total)	N/A	18.5 ha
Total land use	300.0 ha	300.0 ha
Forestry (total ha)	4.2 ha	211.0 ha
Existing plantation (cutover)	4.2 ha	4.2 ha
New planting / afforestation – <i>at 1,000 stems per ha</i>	0 ha	206.8 ha
Unplanted (total ha)	74.0 ha	70.5 ha
Native bush (including scrub) – mostly scrubland / Gorse	57.5 ha	54.0 ha
Unplantable – ridges, gullies, steep land	10.0 ha	7.0 ha
Infrastructure – roads, tracks	3.0 ha	3.0 ha
Buffer land, boundary set-backs, riparian set-backs	3.5 ha	6.5 ha
Farm land (total ha)	221.8 ha	0 ha
Pasture & Stock Numbers (211.0 Effective Hectares)		
Estimated Stock Units: 2,570 SU, (200 R2, 200 R1 Heifers, 120 R1&R2 steers and 5 MA Bulls = 2,570SU = 12SU/Effective Ha)	2,570 SU	108 SU (on land divested)
Land to be divested / subdivided and sold (total ha)	[N/A]	18.5 ha
Farm land	[N/A]	9.0 ha
Scrubland, riparian, water features	[N/A]	9.0 ha
Other – Farm Infrastructure and House	[N/A]	0.5 ha

ATTACHMENT 3 – OWNERSHIP STRUCTURE

[s 9(2)(b)(ii)]

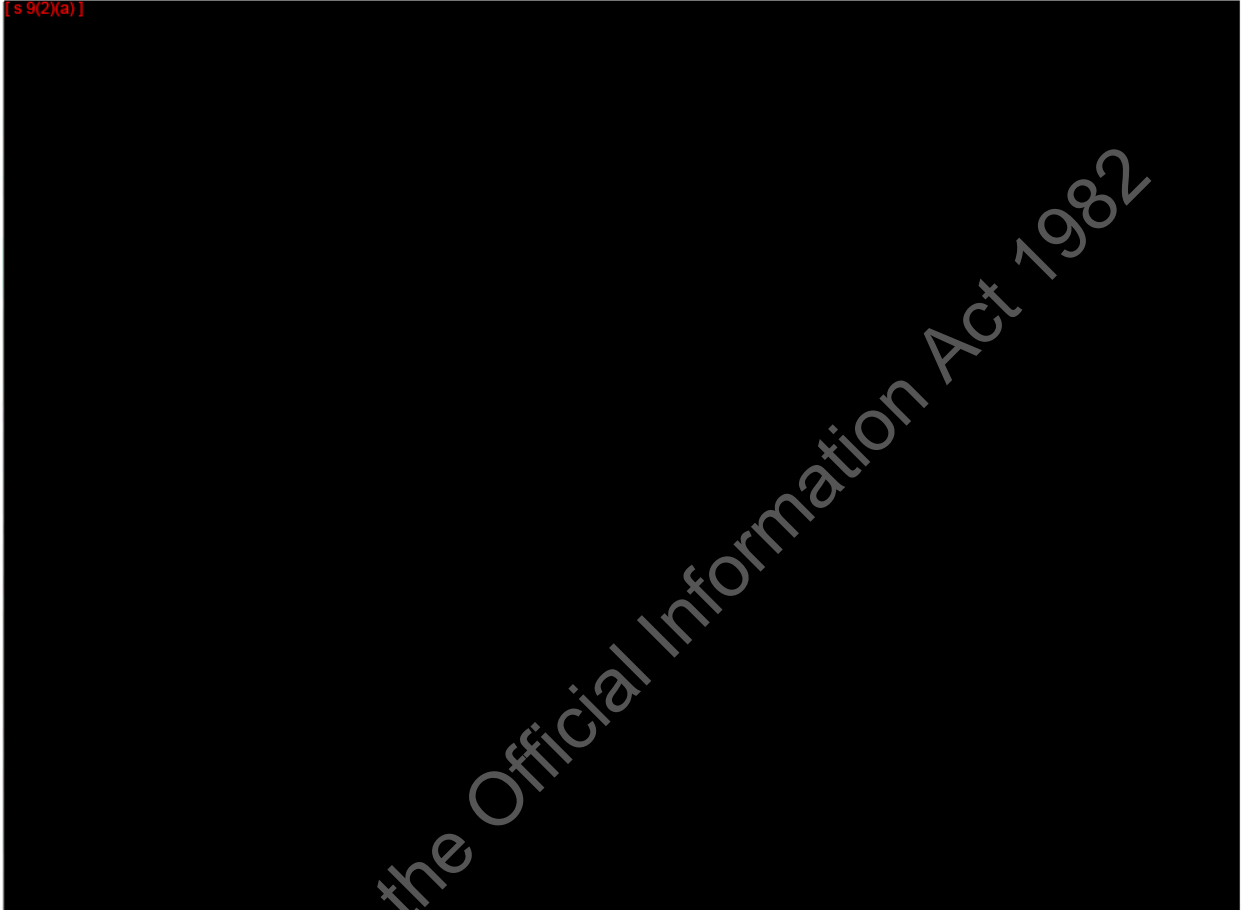


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ATTACHMENT 4 – LAND USE CAPABILITY

Map showing the Land Use Capability (LUC) classes on the Land

[s 9(2)(a)]



<i>LUC Class code</i>	<i>Description</i>
1	Land with virtually no limitations for arable use and suitable for cultivated crops, pasture or forestry
2	Land with slight limitations for arable use and suitable for cultivated crops, pasture or forestry
3	Land with moderate limitations for arable use, but suitable for cultivated crops, pasture or forestry
4	Land with moderate limitations for arable use, but suitable for occasional cropping, pasture or forestry
5	High producing land unsuitable for arable use, but only slight limitations for pastoral or forestry use
6	Non-arable land with moderate limitations for use under perennial vegetation such as pasture or forest
7	Non-arable land with severe limitations to use under perennial vegetation such as pasture or forest
8	Land with very severe to extreme limitations or hazards that make it unsuitable for cropping, pasture or forestry

ATTACHMENT 5 - 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	Insufficient – There are no listed historical heritage sites on the Land. Applicant has only offered to provide access to Ngāi Tahu and local Runanga for cultural purposes. Already credited under public access factor.
Oversight or participation by New Zealanders	No benefit – The land is going from 100% New Zealand owned to 100% overseas owned.
Consequential benefits	Insufficient – Applicant has not identified any additional consequential benefits to New Zealand that are likely to occur.

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ATTACHMENT 6 – PHOTOS

Aerial photograph of the Land (outlined in yellow ink) produced by LINZ's data service online

[s 9(2)(a)]



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Photographs extracted from the advertising materials submitted with the application, noting that the photograph immediately below shows deer fencing and a central laneway

[s 9(2)(a)]



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[s 9(2)(a)]

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