Submission on the first Sustainable Finance Taxonomy consultation

10 July 2025

Submitter details

This submission is from the Parliamentary Commissioner for the Environment, Simon Upton.

My contact details are:

Phone: 04 495 8350
Email: pce@pce.parliament.nz

Parliamentary Commissioner for the Environment

The Parliamentary Commissioner for the Environment was established under the Environment Act 1986. As an independent Officer of Parliament, the Commissioner has broad powers to investigate environmental concerns and is wholly independent of the government of the day. The current Parliamentary Commissioner for the Environment is Simon Upton.

Introduction

Establishing a common taxonomy (or language) to guide sustainable finance is a sound idea. As noted in the consultation documents, it is essential that any New Zealand sustainable finance taxonomy (SFT) aligns with similar taxonomies being used abroad since the main flow of sustainably labelled finance is likely to come from there. Nevertheless, elaborating a SFT when such initiatives are still under development on a global scale will be challenging. There are a number of pitfalls to avoid along the way.

The main issue I want to raise about this consultation on the climate mitigation criteria is the rating of almost all forestry activities as 'green' (the exception being 'support measures for forestry', which is rated 'transition'). I see two key risks with this approach:

- The assumption that forestry is a suitably permanent offset for emissions from long-lived greenhouse gases; and
- That without ensuring forests are appropriately sited and managed, there is a risk to other environmental objectives in the taxonomy (particularly 'sustainable use and protection of water and marine resources' and 'protection and restoration of biodiversity and ecosystem'). If such risks were not managed, the forests would fail to meet the Do No Significant Harm (DNSH) safeguard.

I will elaborate on these risks below. The research underpinning my concerns is set out in my report *Alt-F Reset – Examining the drivers of forestry in New Zealand*.[1]

[1] https://pce.parliament.nz/publications/alt-f-reset-examining-the-drivers-of-forestry-in-new-zealand/

The assumption of forestry permanence

Some forests are being planted solely for carbon returns via the New Zealand Emissions Trading Scheme (NZ ETS) and will never be harvested. Most of these are monoculture pine forests, as they are cheaper to establish and absorb carbon dioxide more rapidly. However, to act as an effective offset for carbon dioxide emitted from the combustion of fossil fuel, that carbon must remain locked up effectively forever. There are many risks to the permanence of these forests, including extreme weather, fire and disease. These risks are all increasing as a result of climate change itself. They are well understood and commented upon in other jurisdictions.

Such risks will vary depending on the type of forest and its location. The greatest risk is probably for permanent plantations of monoculture pine which, as noted above, happen to be the most popular form of permanent afforestation in New Zealand. The simple assumption that any type of afforestation is 'green' even within the climate mitigation context is – in my view – inaccurate.

We cannot assume the carbon in forests is safely locked away. If these risks materialize, future generations will be left with a carbon deficit without any revenue stream to assist with their maintenance. This is why, in international circles, forestry is increasingly being referred to as a 'temporary' offset. The climate mitigation potential of such a forest must be questioned over the medium-term to long-term when any carbon revenue runs out. In my view (as set out in *Alt-F Reset – Examining the drivers of forestry in New Zealand*), at the very least permanent forests need a management plan setting out how these issues will be dealt with.

Finally, there are two broader considerations for which answers will be needed. Firstly, there is the question of what real emissions reduction options have been delayed or abandoned due to the unlimited use of forestry offsets keeping the price of carbon in the NZ ETS artificially low. Secondly, given the loss of employment opportunities from the land, there is a question about whether permanent carbon forestry meets the criterion for minimum social safeguards.

Failure to meet the Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS)

Growing pines for commercial harvest deals with some of the risks discussed above. Given the desire to generate an income from timber, there is an incentive to manage the forest properly against risks such as fire and pests. On the other hand, commercial forestry can create other risks. If inappropriately situated and managed, there can be difficulties with erosion and slash during extreme weather events. Would clear-fell harvesting of pine forests in erosion prone parts of Tairāwhiti be considered 'green' under this taxonomy? Similarly, would the planting of pine in areas susceptible to wilding conifer spread be 'green'? Arguably, the answer in each case is 'no'. Much better safeguards are needed to ensure the DNSH criteria for water quality and biodiversity are met. Given that the RMA and the National Direction instruments under it are in an almost permanent state of flux, there is no guarantee that central government regulation will be sufficient.

It is worth noting here that, depending on the forest type and where it is located, forestry **may** provide significant contributions to some of the other listed environmental objectives. But for this to be the case, we need to think more intergenerationally. Creating and maintaining a forest is a long-term commitment that faces many uncertainties. A lot will depend on why a forest is being established and how it is managed. Whether a forest benefits or harms a catchment will depend on the forest type and the issues that catchment faces. We need to

consider both the benefits and costs a forest will incur over long timeframes. Furthermore, we need to be aware of the risk of developing a taxonomy that rates eligible activities within the silo of individual environmental objectives without looking at the local context.

My assessment is that the way in which we have allowed unlimited access to forest units to meet emitter obligations under the NZ ETS already places New Zealand in a contentious and exposed position when it comes to the credibility of our climate and environmental policy settings. Those developing this taxonomy need to be aware of the gap that already exists between New Zealand-claimed environmental goals and its policy settings.

Rt Hon Simon Upton
Parliamentary Commissioner for the Environment
Te Kaitiaki Taiao a Te Whare Pāremata