

# Freshwater: Allocation, Trading, Rights & Royalties

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PATHWAYS TO SUSTAINABILITY

# Due modesty



- ❖ Will offer some framework-level solutions but...
- ❖ These will need to be tested for Heretaunga
- ❖ Will speak about Maori rights and interests – guided by ICF but cannot speak for Maori
- ❖ Will speak about environmental safeguards – but cannot speak for green movement.

# Overcoming divisions is the central problem



- ❖ People too long excluded from the table
- ❖ Recently, too much polarisation
- ❖ This gets in the way of listening to each other, & working together on solutions
- ❖ The huge challenge in water management will need a collaborative approach.

# Building blocks - 1



- ❖ Efficiency is a value worth pursuing from a business, environmental and community perspective.

# Building blocks - 2



- ❖ Achieving ecologically healthy and swimmable freshwaters over time is generally supported.

# Building blocks - 3



- ❖ **Iwi and hapu have rights and interests in freshwater, to be accommodated in a way that is fair to everyone.**

# Building blocks - 4



- ❖ **Process of change is best advanced by a system which promotes collaboration, accountability, flexibility and innovation.**

# Building blocks - 5



- ❖ We can best address conflicting values in water by a two step process of:
  - ❖ Protecting water body's own values first
  - ❖ Allocating use permits & their ownership second.

# Trading – why?



- ❖ Neighbours have traditionally traded
- ❖ Droughts – eg livestock vs horticulture
- ❖ Reduce barriers to new entrants: innovators, iwi and hapu
- ❖ Stimulate economic growth by ensuring:
  - ❖ Water can flow to its highest valued use over time
  - ❖ Market incentives are provided for impoundments
- ❖ Reduce over-allocation, restore flows & health.

# Trading – first steps



- ❖ Need number and diversity of water users
- ❖ Need universal metering & a trading registry
- ❖ Set limits first for water quantity and quality
- ❖ Define a trading envelope and rules which:
  - ❖ Consider effects on neighbours; stream depletion
  - ❖ Consider effects of upstream transfer
  - ❖ Cope with flow variability
  - ❖ Percentage permits; priority permits; impoundment
- ❖ Trading is not suited to every catchment.

# Trading – balancing certainty with control



- ❖ The more secure the use permit, & the longer the term, the more investment you can get
- ❖ But all permits need expiry dates; auctions
- ❖ Review provisions transparent; mix of terms
- ❖ Market needs safeguards against dominant players, & rules about foreign ownership.

# Allocation



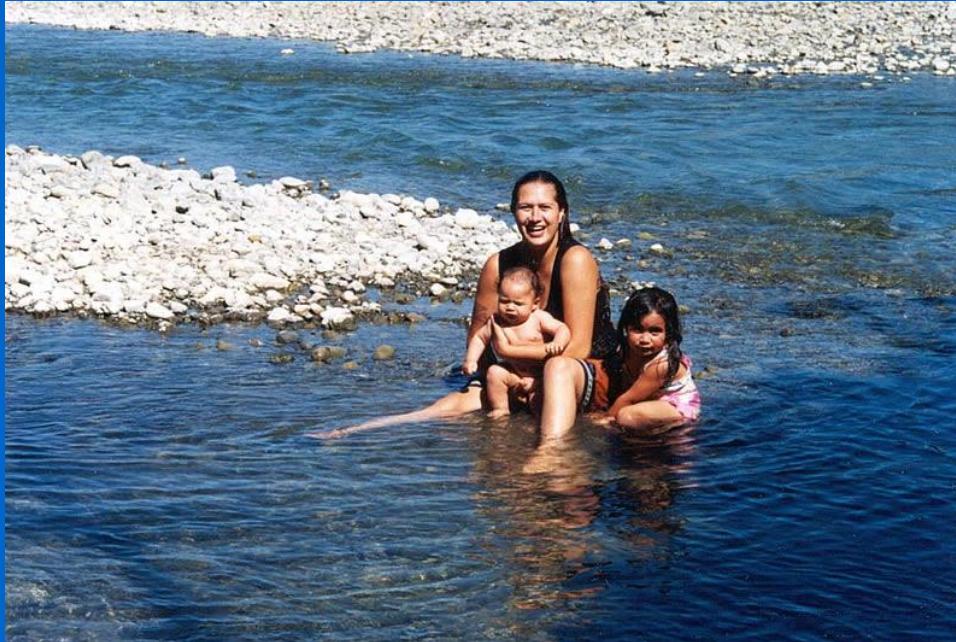
- ❖ Most NZ catchments are fully or over-allocated
- ❖ Most efficient solution is by auction on expiry
- ❖ But sometimes need a transition period
- ❖ Thus get grandparenting & land use controls
- ❖ But there's a danger of over-generous arrangements for vested interests.

# Recognising Maori rights and interests



- ❖ Maori rights and interests are not just about an allocation of water for economic use
- ❖ Allocation of use rights is one element of a holistic concept – Te Mana o te Wai
- ❖ Co-governance is also a crucial element
- ❖ Mana whakahono a rohe agreements in RMA.

# Allocation to iwi and hapu



- ❖ Iwi Chairs Forum has recently convened 23 hui to clarify and confirm what iwi want
- ❖ Use rights are integral to Te Mana o te Wai
- ❖ Allocations are sought for many reasons:
  - ❖ Return more water to the river
  - ❖ Drinking water supplies
  - ❖ Enabling Maori land development.

# How a fair allocation might be made



- ❖ Will depend on negotiations between iwi and the Crown and will take time to implement
- ❖ Will need to treat existing permit holders fairly and avoid creating new injustices
- ❖ Could be quite complex but one element could be a cash allocation which iwi could use to buy tradable water permits over time.

# Should royalties be payable for commercial use of water?



- ❖ Labour & Green policy 2014 & probably 2017
- ❖ Would bring water into line with other resources on which royalties are paid
- ❖ Profit is made from water permits – their allocation has transferred about \$2.5 billion to private landowners in Canterbury alone
- ❖ A proportion of this wealth should be returned to the public, or to the water body.

# Care is needed in setting royalties



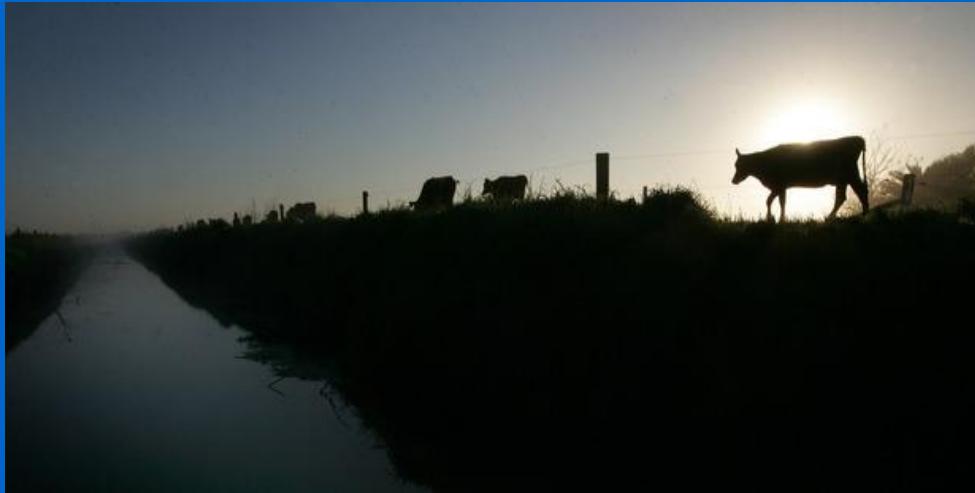
- ❖ To be efficient, a water royalty should be set at a level which allows businesses to be profitable, but captures the super-profit
- ❖ A flat rate per megalitre won't do this
- ❖ Water is a chattel and is valued separately from land – assisted by water market prices
- ❖ Views of Australia's Henry Tax Review.

# Polluter-pays - 1



- ❖ The most efficient system for polluter-pays would auction discharge permits within a limit-based system – maybe in future
- ❖ But not possible at present as we cannot accurately attribute diffuse discharges to individual properties
- ❖ Setting catchment limits & royalties will still drive on-farm practice and stocking changes

# Polluter-pays - 2



- ❖ These changes will be reinforced by coming regulation to curb soil loss & turbidity; and by inevitabilities of climate policy
- ❖ Taken together, these policies will eventually deliver on the polluter-pays principle rurally
- ❖ Urban water issues will have to be addressed in parallel over the same time period
- ❖ Polluter-pays empowers the water user
- ❖ Rewards those who do the right thing.

# Water reforms: opportunity



- ❖ Overall, water trading and polluter-pays will drive innovation, land use change & clean-up
- ❖ This will create new opportunities, especially in the horticulture, arable & wood sectors
- ❖ A collaborative approach will manage the pace of change & ensure sound policies
- ❖ Royalties paid to public bodies, & addressing iwi rights, will mean a fairer resource system.

**Kia ora!**

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