

ENVIRONMENTAL MANAGEMENT UPDATE

There has been a lot going on in the environmental arena recently - at a regional policy level, as well as a local scheme level. In this newsletter we would like to update you on these matters as they will impact you all – for some this impact will be immediate, for others it will be in the longer term. It can sometimes be easy to ‘keep your head down and hope it blows over’ when it comes to environmental regulation, but the bottom-line is it will affect everyone. We therefore encourage you to please read the newsletter carefully and consider what this means to your farming operation, and what your next move needs to be.

This is a bit of a complicated beast and is not an easy picture to paint, so grab yourself a strong coffee and please bear with us as we try to explain.....

THE EVOLVING ENVIRONMENTAL REGULATION FRAMEWORK

There are effectively three planning processes that may impact you over the next 5-10 years:

1. The current **Land and Water Regional Plan (LWRP)**
2. **Plan Change 5** to the Land and Water Regional Plan (PC5)
3. The Orari-Temuka-Opihi-Pareora (OTOP) **Sub-Regional Plan**

Each of these processes have different but overlapping timeframes and you need to be prepared to ride with all three processes as they come in and out of prominence.

Refer to the diagram below where we have attempted to illustrate the phasing and interconnection of these processes.

CURRENT LAND & WATER REGIONAL PLAN (LWRP)

The LWRP, which became operative in 2015, sets out the framework and pathways for managing land and water in the Canterbury region for the foreseeable future. It contains a number of rules that must be complied with in respect of farming activities as well as a range of other activities.

We have talked about the LWRP in past newsletters, but will recap the main points now.

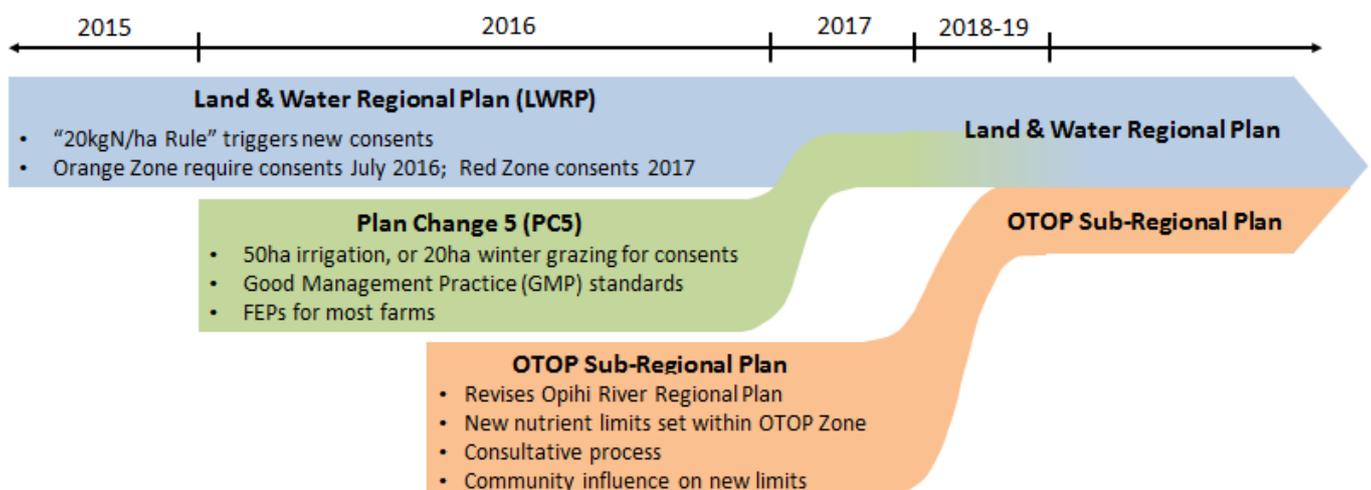
Canterbury has been categorised into Nutrient Allocation Zones and nitrogen leaching is regulated according to these zones. Within the OWL command area there are both Orange (Opihi) and Red (Temuka incl. Kakahu) Nutrient Allocation Zones.

Across ALL Nutrient Allocation Zones, farms less than 5ha, or farms leaching less than 10kgN/ha/yr are a permitted land use. This means that if your situation fits either of the above criteria, a consent is not required.

All other farms are regulated by the rules which apply for that particular Nutrient Allocation Zone. The LWRP states:

- Red Zone (Temuka incl. Kakahu):
Any increase in N loss is prohibited and a consent is required by July 2017 if your N loss exceeds 20kgN/ha/yr.
- Orange Zone (Opihi):
A consent is required by July 2016 if your N loss exceeds 20kgN/ha/yr and your property is over 50ha or if you increase your nitrogen loss above the baseline.

3 Key Planning Phases in occurring in our Zone



CURRENT LWRP (cont'd)

Attached to this newsletter is an information sheet from ECan with some messages about consent requirements for those in the Orange Zone. In particular, read the paragraphs in italics carefully - especially if you are either an arable/hort farmer or you have not quite got your ducks in a row in terms of applying for a consent.

From new information we have only just received regarding ECan's recent approach to new consent applications, it appears the method being used for determining consent conditions has changed (evolved?). Suggestions are that conditions are likely to tie consent holders to Good Management Practice loss rates from ECan's 'Farm Portal' (the 'Farm Portal' has been proposed as part of ECan's PC5 – see description below). The robustness of the Farm Portal has been the subject of a lot of discussion and submissions from the primary sector industry groups under the PC5 process so we feel that incorporating the loss rates from the Farm Portal present and additional element of risk and uncertainty for applicants at this stage.

This latest development just adds to the basis for our recommendation that you assess carefully, for your own situation, whether you should be applying for a consent now under the LWRP or, instead, concentrate your efforts on FEP, Nutrient Budget and Nutrient Baseline preparation.

Farm Environment Plan

A Farm Environment Plan is a fundamental part of a consent application and the OWL team will help you to draft yours free of charge. If you think you trigger the 20kgN/ha/yr threshold and you don't currently have a Farm Environment Plan, please contact Lucy Millar at lucy@opuha.co.nz or 027 696 1742 and she will arrange a time to visit you on farm.

Nutrient Budget and Baseline

A nutrient budget and baseline is also a key element of a consent application, and these need to be done by Certified Nutrient Management Advisors for consenting purposes. Both Ravensdown and Ballance have set up specific Environmental Teams to do these budgets (note: the fertiliser companies' general area field representatives are not qualified to complete these). There are also a number of local consultants who are qualified to draft nutrient budgets for you. If you are a dairy farmer, talk to your milk company and ensure you have filled out your

nitrogen recording pages. If you are a Fonterra supplier, you can give Helen Risk a call and she will assist you in filling them in – helen.risk@fonterra.com, 027 511 0176.

KEY TAKE HOME MESSAGE

If you need a consent under LWRP, it is important to action the following if you have not done so already:

- Farm Environment Plan
- Nutrient Budget
- Nutrient Baseline

PENDING PLAN CHANGE 5 (PC5)

Earlier this year, ECan notified a Plan Change to the LWRP, which is known as Plan Change 5 (PC5). The rules in PC5 do not have legal effect until it becomes operative, and this occurs only after the hearings and any appeals have been settled which could be up to 12 months away. This means that until PC5 becomes operative, the existing rules as set out in the current LWRP (outlined above) continue to apply.

PC5 proposes a number of changes to the current LWRP but, most importantly, PC5 introduces new activity based thresholds which trigger a resource consent - **50ha irrigation or 20ha winter-grazing**. This replaces the fixed nitrogen loss rates in the current rules (e.g. the '20kgN/ha/yr rule').

Anyone who triggers the requirement for a consent will be required to implement a Farm Environment Plan and be operating at **Baseline Loss Rates** initially, then **Baseline GMP Loss Rates** long-term. Essentially, across both the Orange and Red zones, any further intensification will be very difficult, if not impossible.

Even if you farm under these thresholds, ECan will still require you to demonstrate you are operating at Good Management Practice and a Management Plan (simplified FEP) will be required.

It is important to note that the proposed definition of winter grazing is 'the grazing of cattle within the period of 1 May to 30 September, where the cattle are contained for break-feeding of in-situ forage crops or supplementary feed that has been brought onto the property', therefore it goes beyond the typical dairy winter grazing.

Again, if you trigger either of these thresholds it is a good idea to get a Farm Environment Plan done sooner rather than later. If you don't already have one, contact Lucy Millar and she work with you to draft one.

DEFINITIONS

Baseline Loss Rate: The mean discharge of nitrogen below the root zone over the period 1 July 2009 - 30 June 2013, modelled with OVERSEER® and expressed in kgN/ha/yr.

Baseline GMP Loss Rates: The average nitrogen loss rate below the root zone, as estimated by the Farm Portal, for the farming activity carried out during the nitrogen baseline period, if operated at good management practice; and where a Baseline GMP loss rate cannot be generated by the Farm Portal it means the nitrogen baseline.

The **Farm Portal** is an online nutrient management database that has been developed by ECan to calculate nitrogen losses for your farm if you are working to Good Management Practice (GMP) as defined by industry. The Portal requires OVERSEER® information to be uploaded to enable your GMP number to be computed. You can access the Portal at <https://farmportal.ecan.govt.nz/>.

Sub-Regional refers to the fact that the Canterbury 'Region' is divided up into ten catchment based zones or 'Sub-Regions'. Under the LWRP (the 'Regional' Plan), each of the 'Sub-Regions' is required to develop their own 'plan' – the Sub-Regional Plan. Several of these Sub-Regional Plans have already been completed and now it is the turn of the OTOP Zone to complete the development of their Sub-Regional Plan over the next 2-3 years.

FUTURE ORARI-TEMUKA-OPIHI-PAREORA (OTOP) SUB-REGIONAL PLAN

There is a third planning process, the Orari-Temuka-Opihi-Pareora (OTOP) Sub-Regional Plan process about to kick off in the zone.

This planning process will revise the Opihi River Regional Plan which all of the Opuha scheme and individual water consents have been granted under. It will also set catchment specific nutrient limits.

This planning process will have significant implications for both the scheme and shareholders, OWL management will be actively involved in the consultation process, working to ensure the information feeding into the process is accurate and robust, and advocating for the company and shareholders best interests in the zone committee forum. We will keep you up to date on this process as it unfolds, and we encourage you to become engaged and involved in the community discussions wherever possible.

HOW OPUHA WATER LTD IS RESPONDING TO THE REGULATION CHANGES

Opuha Water, along with numerous other Primary Industry bodies, has made a submission on PC5, and hearings are scheduled for later in the year. Key points within OWL's submission relate to the conditions under which an irrigation scheme can obtain a scheme nutrient load consent and the complexity of the situation for our shareholders where the overlapping of the planning processes mean that the new land-use consents required could be expensive but short lived.

There are also a number of other programmes that OWL have underway aimed to assist shareholders through this uncertain time, including the FEP roll out, data sharing with industry providers, and assessing the benefits and disadvantages of a scheme nutrient discharge consent.

Farm Environment Plans

The roll-out of the scheme Farm Environment Plans has continued and with the exception of 3-4 shareholders with >50 shares (i.e. >50ha irrigation) now have FEPs, across both the Orange and Red Zones. The focus at present is a '1-year update' conducted by Lucy Millar, prior to the Pre-Audit Checks which are being undertaken by Opus International.

Over the next few months we will also be looking to identify those who have more than 20ha winter grazing, to get their FEPs drafted – please talk to us if this is you! Following this we are planning to work with shareholders who don't trigger any of the aforementioned thresholds (i.e. >20kgN nitrogen loss, >50ha irrigation, >20ha winter grazing), to draft simplified 'management plan' that will meet ECan requirements for such properties.

Scheme nutrient discharge consent

The LWRP includes provisions to enable irrigation schemes to manage nutrient losses within their command

area by holding a discharge consent. Farms operating under such an irrigation scheme are then considered Permitted Activities and do not have to apply for any consents themselves. Opuha Water Ltd does not currently hold such a consent.

Over the past 18 months, the OWL Board and Management have spent some time considering the company's nutrient management approach, including where we want to position ourselves in the nutrient management space, what our priorities are, and what resourcing is required. One of the key decisions, is whether or not to apply for a scheme discharge consent. The issues are complex and the outcome of our decision has significant implications for both the company and our shareholders. **The OWL Board recently workshoped this issue and decided not to apply for a consent at this point in time, but to focus on gathering information to inform any future decision. Rest assured, we will consult with shareholders throughout the process.**

The first step for us is to form an accurate picture on what the N loss is in and around the scheme. The next section outlines the approach we are taking to help fill this information gap.

Data sharing

For OWL to engage meaningfully in the discussions around nutrient management (with shareholders, ECan and the wider community) it is important that we have an accurate picture on what the 'environmental footprint' of the scheme is. The FEP process that we are rolling out has helped somewhat with this understanding, but the information we are getting through these FEPs is still piecemeal, with nutrient budgets being done by different people/organisations, in different years, and using different versions of OVERSEER.

Our aim is to work with Industry Providers (fert companies, milk companies and local consultants) to get direct access to the most up to date, robust, nutrient budget information they hold for OWL shareholders, and ensure this information feed continues year to year. This will help us to align the FEPs and nutrient budget information, and allow us to update our FEPs with the most up to date (and robust) nutrient budgets. This exercise will also help us to determine whether we need to do any specific pieces of work to fill information gaps going into the sub-regional.

We will be looking to engage with these industry providers on data-sharing arrangements over the next few weeks.

Any arrangement will be dependent on getting your permission to share the data, and we anticipate we will be emailing/ mailing some permission forms out to you soon. We ask you to view this data-sharing favourably and get any signed forms back to us in a timely manner.

So that is about it. We told you it was a complicated beast! If you have any questions you can contact Julia Crossman at julia@opuha.co.nz or 021 535 174.

Good Management Practice

and good water quality....



Note: This Information Sheet has been prepared and presented to us by ECAN

<input type="checkbox"/>	<p>Good Management Practices (GMP) Future proof your farm – use the Good Management Practices booklet and your industry sector guides to identify and carry out Good Management Practices for your farming practice.</p>
<input type="checkbox"/>	<p>Talk to your Primary Industry Body and Irrigation Scheme They are able to support and advise you on how to meet GMP, prepare Farm Environment Plans and nutrient budgets. There may also be events being held in your area. Check out our website for relevant links.</p>
<input type="checkbox"/>	<p>You will need a consent if: Orange Zone: Your farm’s nitrogen loss exceeds 20kg/ha/yr and: <ul style="list-style-type: none"> Your property is larger than 50ha; OR Your nitrogen loss calculation has increased above your nitrogen baseline Red Zone: Your property is over 5ha and your nitrogen loss calculation exceeds 20kg/ha/yr. An increase above baseline is prohibited. Green and Blue Zone: You increase by more than 5kg/ha above your Nitrogen Baseline and your property is larger than 50ha.</p>
<input type="checkbox"/>	<p>Use the Farm Portal Coming in August: Answer some simple questions on the Farm Portal to determine if you are less than 20 kg/ha/yr.</p>

If you do require a consent, you will need to:

<input type="checkbox"/>	<p>Prepare your Farm Environment Plan There are lots of approved Farm Environment Plan templates to choose from. Talk to your Industry sector representative about your options and find out how they can help; or visit our website for links to approved templates.</p>
<input type="checkbox"/>	<p>Get your Nutrient Budgets done*, or at least be on the list** Find yourself a trusted nutrient management advisor that will help you understand how to make your budget work for you. Talk to your industry sector representative, fertiliser representative, or refer to our list of Certified Nutrient Management Advisors on our website. You will need:</p> <ul style="list-style-type: none"> A Nitrogen Baseline if you are more than 20 kg/ha/yr and A Nitrogen Loss Calculation, if you are in the Orange Zone and are proposing to increase nitrogen losses above your Nitrogen Baseline, or in the Green and Blue Zone and proposing to increase above your Nitrogen Baseline by more than 5%kg/ha. <p><i>*The Foundation for Arable Research and Horticulture NZ are working with Environment Canterbury to develop an interim method for finding your N loss number. As an alternative to OVERSEER®. We will let you know when this is available for use.</i></p> <p><i>**We know there may be a delay in getting your budgets done. Let us know if you are unable to apply for your consent due to a backlog in nutrient budgets. If you have your Farm Environment Plan prepared (and it is being implemented) and your records are prepared for budget calculations, we will note your progress so you can be reassured that we know you are on-track for lodging your application.</i></p>

TIMELINE

Now/2017	<p>If you require a consent and you are in the orange zone or green and blue zone, apply for it now If you require a consent and you are in the red zone, get your consent by July 2017 If you want to make sure you have your ducks in a row, have a free one-hour pre-application meeting with an Environment Canterbury Consent Planner. Fill in the consent application form found on our farming website, and ensure your Farm Environment Plan and Nutrient Budgets are in order. You can give us a call to arrange an appointment at 0800 324 636.</p>
2017/2018	<p>Farm Environment Plan Audit Are you keeping your records? You will need an audit of your Farm Environment Plan within one year of getting your consent. You can find a list of registered Farm Environment Plan Auditors on our farming website.</p>
2020	<p>Your farm should be operating at its Baseline GMP Loss Rate This is the nitrogen loss rate if you were operating at good management practice in the baseline period (2009-2013) as estimated by the Farm Portal.</p>

Be involved, let us know how you are going, there are lots of changes happening, we can help you find your way.....