

## Cultivating change: Bill restricting conversions from farmland to exotic forestry has passed first reading

### **The Climate Change Response (Emissions Trading Scheme – Forestry Conversion) Amendment Bill (Bill) has now passed its first reading.**

The Bill was introduced on 10 June 2025. It is now being considered by the Select Committee. The Bill is expected to become law in October 2025.

Our article [here](#) outlines the key policy changes that were initially announced by Agriculture and Forestry Minister Todd McClay and Climate Change Minister Simon Watts on 4 December 2025.

#### **Moratorium on exotic forestry for productive farmland**

One of the key changes is that owners of land classified as Land Use Capability (LUC) 1 - 6 will no longer be able to freely plant exotic forests and register them in the ETS.

The Bill clarifies that landowners may register up to 25% of LUC class 1 - 6 land as exotic forest on each farm (being land that is actively farmed). The 25% allowance is calculated as a quarter of all LUC 1 – 6 land within a farm boundary (as defined by the farm's record(s) of title). Where a farm has more than one record of title, the titles must be adjacent to each other and owned by the same person / entity. A record of title can only be used once for a 25% allocation. Where land is part of a 25% allocation, then the regulator will register a notice on the relevant record(s) of title to ensure that owners are not using the same land for allocations more than once.

#### **Annual ballot on LUC 6 farmland**

Another key change is that there is a cap on the registration of exotic forestry in the ETS for LUC 6 farmland. Only 15,000 hectares of LUC 6 farmland nationally may be registered in the ETS annually.

The Bill states that the right to register LUC 6 farmland will be allocated through a yearly ballot and permit system.

If a forester is successful in the ballot, they will receive a permit to register a permitted area of LUC 6 farmland in the ETS. The permit will be valid up until 31 December three years after it was issued. A further extension of three years can be granted if weather or other issues prevent a forester registering before the permit expires.

Further information regarding the ballot system is expected to be included in new regulations which are expected to be in place by October 2025. The first ballot is expected to be held in mid-2026.

#### **Exemptions to the restrictions**

The Bill outlines a number of exemptions to the restrictions noted above, which are summarised below.

#### **Temporary transitional exemptions**

Where farmers began converting farmland to exotic forestry before 4 December 2024, an exemption may be available if the farmer can demonstrate that there was evidence that a 'qualifying forestry investment' was made between 1 January 2021 and 4 December 2024 and a valid ETS application was completed by 31 December 2027.

Under the Bill, a qualifying forestry investment includes:

- a registered lease or registered forestry right (or an agreement to obtain the same);
- a conditional or unconditional sale and purchase agreement;
- an emissions ruling that land is eligible to be post-1989 forest land has been applied for and made by the Environmental Protection Authority;
- an application for resource consent has been made and granted by a local authority;

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- a permitted activity notice has been given by a local authority;
- investment in preparing for afforestation has been made (e.g. ordering seedlings or undertaking land preparation for forestry);
- a grant from a local or central government has been received to afforest the land; or
- a third party has been contracted to undertake due diligence for the purposes of afforesting land or purchasing land with the intention of afforesting it.

**Other exemptions**

The Bill also states that there are an array of other exemptions. The new restrictions will not apply to:

- registering new indigenous forestry in the ETS;
- existing forest land (as long as it is 'forest land' before the law comes into effect);
- land that is not used for farming purposes in the last 5 years and which contains predominantly exotic species;
- LUC 7 and 8 farmland;
- highly or severely erosion prone land identified in a regional or district plan (i.e. land that is not suitable or should be retired from farmland);
- areas not on the national scale LUC map (i.e. unmapped land that has not been assessed for LUC);
- specific types of Maori land;
- Crown-owned land available for afforestation; and
- offsetting land for pre-1990 forest land and post-1989 forest land.

**Response to the Bill**

So far there has been some criticism regarding the Bill, particularly the ballot system which at this stage appears to be a complicated and uncertain system.

The New Zealand Institute of Forestry has conveyed their disappointment with the Bill and pointed out that there are flaws in its drafting because:

- to enter into the ballot, the forester must already own the land, with no guarantee that they will be successful. In many cases, foresters are yet to purchase land but want a guarantee that it will be able to be registered in the ETS; and
- the permits are non-transferable which means that farmers will not be able to sell their land after securing ETS eligibility with the benefit of the ETS registration.

**Want to know more?**

Get in touch with our specialist Forestry Team to discuss any of the above further.