



Overseas Investment in Forestry

Hui on changes to the Overseas Investment Act 2005

28 February & 1 March 2022

Karakia o Te Tai Ōhanga

Ko te tai whakarunga
Ko te tai whakararo
Ko te Tai Tokerau
Ko te Tai Tonga
Ko te Tai Hauāuru
Ko te Tai Rāwhiti
Tēnei, ko Te Tai
Ōhanga
Hui e, Tāiki e!



*There in the challenge
between the known and
the unknown,*

*We find direction from the
northern, southern,
western and eastern tides.*

*At the centre, Te Tai
Ōhanga, the Treasury,
serving those four
directions of Aotearoa*

Purpose of this hui

- We would like to take this opportunity to:
 - provide a brief overview of Cabinet's recent decisions and rationale,
 - inform you of upcoming opportunities to input into the legislative process, and
 - answer any questions you might have.

Background on the Overseas Investment Act 2005 Forestry Review

- In 2018, the Government changed the way overseas investment in forestry is screened under the Act.
- Because the 2018 changes were developed at pace to align with the passage of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Act required a review of the changes' operation and effectiveness.
- Cabinet agreed to a Terms of Reference for the Review of the 2018 changes in March 2021. The original policy rationale and intent underpinning the 2018 changes was out of scope of the Review.

The operating context for forestry has changed

- Since the 2018 changes were brought into effect, the operating context for production forestry investments has changed.
- Due to a range of factors, including the significant increase in carbon price, New Zealand has seen an increase in farmland conversions to forestry (both permanent and production) by local and overseas investors.
- There has been increasing concern among stakeholders about the negative spill-over effects of whole farm forestry conversions, particularly in relation to the use of pastoral land.

Role of overseas investment screening settings for forestry

- Our overseas investment screening regime recognises what a privilege it is to own sensitive New Zealand assets.
- However, the current settings for investing in land to be converted to production forestry mean these investments are not required to demonstrate benefits, in the same way other land-based investments are.
- This is what has led to Cabinet deciding to remove forestry conversions from the streamlined special forestry test.

Removing forestry conversions from the special forestry test

- The changes agreed by Cabinet mean that the streamlined special forestry test will only be able to be used for applications where the land being acquired is already being used for production forestry.
- Overseas investors looking to acquire land for conversion to forestry will instead be required to access the Benefit to New Zealand pathway.
- High quality foreign investment in forestry, and a strong forestry sector, remain important, and retaining the ability to access the special forestry test for investments that do not involve a change in land use will continue to support this.

The Benefit to New Zealand Test

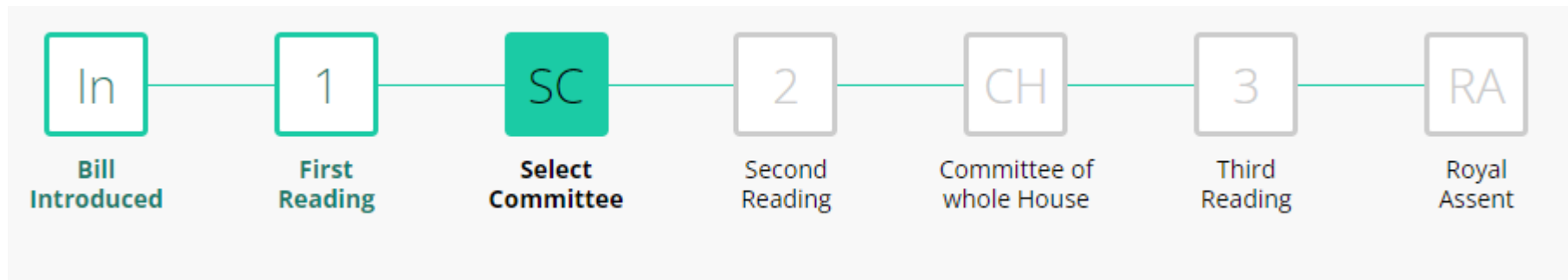
- The revised Benefit to New Zealand test requires investors to demonstrate benefits and provides greater discretion for decision-makers.
- This will create a higher bar for investment than under the special forestry test and align the assessment of forestry conversions with the approach taken under the Act for most other land-based investments.
- Overall, the change to assessment of conversions through the Benefit to New Zealand test will improve the Government's ability to maximise the benefits of forestry investment while effectively managing the associated risks.

Minor and technical changes

- Although the Act is largely achieving its primary policy intent post-reform – facilitating overseas investment in forestry – the Government is also aware of several minor and technical issues that arose after the reforms came into force.
- In response to these issues, Cabinet has decided to make a range of minor and technical changes to the Act, in order to improve its operation and effectiveness.
- We are also aware of some minor and technical issues which will be dealt with operationally.

Opportunity to engage with the legislative process

- Drafting of the legislation for amending the Act is now under way, with the Bill expected to be introduced to Parliament in a few months.



- The actual timeframe for introduction and commencement of select committee are subject to decisions on the 2022 Legislation Programme.

Discussion / Q&A

- Do you have any questions for officials about these changes, or about the legislative process?

Next steps

- We encourage you to engage with the select committee process which we anticipate will commence later this year, after the Bill has been introduced.
- We will keep you updated on the legislative process, particularly when the select committee calls for submissions.

Hei whakakapi

Piki te kaha
Piki te ora
Piki te wairua
Hui e, tāiki e!



Gather your strength
Increase your wellbeing
Revitalise your inner spirit
We are in agreeance, it is affirmed!