

## ASHBURTON LYNDHURST IRRIGATION LIMITED

### NUTRIENT ALLOCATION POLICY

#### 1.0 INTRODUCTION

This paper details the Ashburton Lyndhurst Irrigation Limited (ALIL) nutrient allocation policy.

It is intended that this Policy assist the ALIL Board in the consideration of future requests by ALIL shareholders to change land use, and to assist the Board in the situation where nutrient losses by shareholders of ALIL exceed the threshold permitted by either the Environment Canterbury (ECan) Land and Water Regional Plan (LWRP) or resource consents held by or available for the use of ALIL.

#### 2.0 BACKGROUND

In May 2014, Rangitata Diversion Race Management Limited (RDRML) was granted a consent by ECan to enable the irrigation of all land in Mid Canterbury between the Rakaia and Rangitata Rivers and the Foothills and the Pacific Ocean. This consent also introduced nutrient limits for existing irrigators (as at December 2013) and new irrigators, to be managed collectively by RDRML through Farm Environment Plans (FEP) and an associated auditing process.

Through Water Supply Agreements, RDRML has agreed to make available water and nutrients to the three schemes operated by Mayfield Hinds Irrigation Limited (MHIL), Valetta Irrigation Limited (VIL) and ALIL.

The RDRML nutrient loads for both P and N have been agreed to be allocated to the three schemes based on analysis completed by Stuart Ford in support of the original consent application for the existing irrigators.

In late 2014, ALIL commissioned a report from Stuart Ford setting out the ALIL nutrient entitlement for the existing irrigation area within the RDRML consent that also detailed the anticipated headroom that would be created following the completion of the ALIL pressurised pipe scheme and the move of all remaining borderdyke irrigation to spray irrigation systems. This report suggested that after allowing for further land use change to dairy that headroom of approximately 173 tonnes of N loss could be available for further intensification by ALIL shareholders.

A copy of the Stuart Ford report is included as an appendix to this Policy.

Following the grant of the nutrient limits within the RDRML consent, ALIL has required all ALIL shareholders to seek ALIL Board approval prior to intensifying land use.

This Policy sets out how the ALIL Board may consider requests to intensify by ALIL shareholders within both existing and new irrigation areas as defined within the RDRML consent.

### **3.0 RDRML LIMITS AND EXISTING IRRIGATION AREAS**

The report prepared by Stuart Ford in late 2014 suggested that ALIL could have available 173 tonnes of N loss that could be made available for intensification by ALIL shareholders.

In considering whether this headroom can be allocated to ALIL shareholders it is noted that the RDRML consent is short term and expires in 2019. After this time, ECan has indicated that the available nutrient load to the RDRML schemes is likely to be based on the aggregate of the Matrix of Good Management Practice (MGM) nutrient losses attributable to the land uses undertaken by the individual scheme shareholders. For farms within the Hinds Plains sub-zone it is likely that a further reduction below the MGM targets will be required.

ALIL currently supplies irrigation water to shareholders in the Ashburton River and the Ashburton/Chertsey nutrient zone. It is currently unclear if farms within these nutrient zones will be required to make nutrient loss reductions below the MGM targets post 2019.

Based on the 2014 Stuart Ford report it is clear that ALIL will be able to comply with the allocated N losses for existing irrigation areas provided ALIL shareholders undertake their operations at N losses consistent with the averages adopted by Stuart Ford for the respective land uses.

ALIL proposes to allow shareholders on existing irrigation areas to continue with their current land use intensity provided the modelled N losses of the individual properties closely approximate either:

- the averages adopted by Stuart Ford, or
- the ECan MGM values for the respective property with the ALIL Board approved land use when the MGM values become available.

### **4.0 REQUESTS TO INTENSIFY WITHIN EXISTING IRRIGATION AREAS**

Since June 2014, any ALIL shareholders proposing to intensify their land use and increase their Overseer N or P losses have been required to seek prior ALIL Board approval.

The analysis completed by Stuart Ford suggests that if all sheep & beef and arable operators as at November 2014 were to increase their N losses by approximately 22 kg N per hectare, that ALIL could still comply with the N loss limits upon completion of the pressurised pipe project and all shareholders moving to spray irrigation.

An increase of N losses by this amount arguably provides sufficient room for these less intensive land uses to convert to the more intensive land uses of dairy or dairy support.

Given this headroom it is proposed that sheep & beef and arable ALIL shareholders be permitted to convert to dairy or dairy support on the following bases:

- Approval of a land use change resulting in an increase in Overseer N or P losses will be considered as applications are received, but such approval lapses if substantial steps have not been taken towards completing the land use change within one year of the application being approved by the ALIL Board.

- An approved land use change does not confer any rights for future land use in addition to the rights of other ALIL shareholders undertaking that same land use.
- Following the expiry of the current RDRML consent all ALIL shareholders will be required to comply with the nutrient limitations set under the relevant ECan Plan or the replacement RDRML or ALIL consent. This may well require individual land uses to meet Good Management Practice based limits. Good management practices will likely be determined by Environment Canterbury and will be advised in due course.

Other more intensive land uses will be permitted, but only provided the modelled N or P losses for the property do not increase above those for the land use in place in December 2013.

A one year lapse period for all approved increases in N or P losses encourages approved land use changes to be undertaken immediately or requires the ALIL to approve an extension to the lapse period. This is intended to prevent ALIL shareholders requesting approval to intensify and locking up the N or P loss resource for an indefinite period. Given the RDRML consent is to expire in 2019 and in the absence of this consent land use intensification in red allocation zones would be prohibited or in orange allocation zones require a consent, the onus is on ALIL to ensure the available N and P loss headroom is taken up as soon as possible.

Applications for an increase in N or P losses will be considered by the ALIL Board on the following basis:

- 1 The Board will consider requests having regard to the following matters:
  - 1.1 The increase in N or P as a result of the proposed land use change;
  - 1.2 The total N or P loss for the Existing Area (or New Area as the case maybe);
  - 1.3 The N or P loss for the proposed land use as against good management practices for the proposed land use (or the average N or P loss used as a basis for calculating the total N and P loss for the Existing Area as set out in [RDRML Land Use Consent Application: Calculation and Explanation Report, prepared by Agribusiness Group (dated October 2013)]);
  - 1.4 N or P losses by other ALIL shareholders undertaking the same land use; and
  - 1.5 Any other matters the Board considers relevant.
- 2 Requests for N or P must be accompanied by the following:
  - 2.1 The information included in the attached Schedule of Information [see attached template]; and
  - 2.2 A non-refundable application fee of \$550.00 plus GST, to be reviewed by the Board from time to time.
- 3 Applicants will be charged on a 'cost recovery' basis for processing requests.
- 4 The Board will not approve requests where the total N or P loss (including the proposed N or P loss) is likely to exceed the total N or P loss for the Existing Area (or New Area as the case

maybe) or breach RDRML's resource consents in respect of the use of water and discharge of nutrients and/or the Water Supply Agreement between RDRML and ALIL.

5 The Board reserves the right to:

5.1 seek further information in relation to any request;

5.2 update this policy;

5.3 grant requests subject to conditions; and

5.4 refuse a request for an allocation of N or P for whatever reason, in particular where the Board determines that the policy or proposed allocation is not in the best interest of ALIL. In such circumstances, the Board shall provide reasons for its decision.

6 N and P loss shall be calculated in accordance with RDRML protocol only.

## **5.0 REQUESTS TO TAKE WATER IN NEW IRRIGATION AREAS**

Requests to take scheme water for land not irrigated as at December 2013 is regarded as a request for a nutrient allocation within a new irrigation area, as defined within the RDRML consent.

The nutrient limits for new irrigation areas are to be complied with separately to existing irrigation areas.

ALIL has been allocated a pro rata share of nutrient from RDRML for new irrigation areas with the two nutrient zones that the scheme operates within.

While the average N load for new areas approximates 27 Kg N per hectare, this is on the basis that the total new irrigation area expands up to 19,000 hectares. The N losses approved for specific land use requests may be higher if the ALIL Board is of the view that the ALIL share of the total new area of 19,000 hectares will not be achieved by the date of expiry of the RDRML consent in 2019.

ALIL does have water available for sale remaining from the 2,000 lps offered in its 2013 prospectus and the subsequent water agreed to be provided to ALIL following the RDRML race lining. It falls on the ALIL Board to ensure that sufficient nutrient is available to be allocated to remaining future water sales for new irrigation areas. The Board may determine to set aside and reserve an allocation of nutrients exclusively for use with new water.

In determining what N losses can be allocated to applications for new irrigation areas it is proposed that these be considered on the following bases:

- The respective approved land use will not confer any rights for future land use in addition to the rights of other ALIL shareholders undertaking that same land use.
- Following the expiry of the current RDRML consent all ALIL shareholders will be required to comply with the nutrient limitations set under the relevant ECan Plan or the replacement RDRML or ALIL consent. This may well require individual land uses to meet Good Management Practice based limits.

- In the absence of information to the contrary, unallocated nutrient loads for new irrigation areas need to be sufficient to allow available but unsold irrigation water to be sold for dairy farming at Good Management Practice loss levels.

By proceeding in this manner, ALIL will be able to ensure it satisfies its primary objective to sell all available but unsold irrigation water as this reduces the ongoing water delivery charges to all ALIL shareholders.

Applications for an increase in N or P losses within the New Area will be considered by the ALIL Board on the same basis as applications for an increase in N or P losses within the Existing Area, provided that priority shall be given to applications for new water.

## **6.0 MANAGEMENT OF AN OVER ALLOCATION**

In the event that ALIL is unable to comply with the nutrient loss limits denoted in the respective Plans or nutrient loss consents, it will be necessary to require ALIL shareholders to change their farming operations in order to continue to be supplied with irrigation water under the ALIL Water Supply Agreements.

Where an over allocation situation arises with existing or new irrigation areas within the ALIL scheme, it is proposed that actions be taken in the following order until compliance with the nutrient limit has been achieved:

- All ALIL shareholders are required to reduce their farming property's Overseer modelled N losses to the ECan MGM level for their approved and authorised land use. In the event that MGM values are not available, the average N losses for the respective land use as set down by Stuart Ford are to be adopted.
- If the initial step above does not achieve full compliance, all ALIL shareholders may be asked to reduce their modelled N losses to a percentage of the MGM values for their properties approved land use. This will provide for reductions to be applied proportionately across all ALIL shareholders relative to their land use irrespective of the difference in losses for different land uses.

## **7.0 SUMMARY**

ALIL requires a nutrient allocation policy to ensure a consistent and equitable approach when considering requests for future land use intensification by ALIL shareholders.

The nutrient limits now in place through the RDRML consent, combined with the efficiency gains likely to be achieved from the pressurised piping proposal, have created an opportunity for ALIL shareholders with less intensive land uses to increase their productivity. This opportunity would not have been possible in the absence of either of these factors due to the ECan proposed LWRP.

While every effort is being made to ensure full compliance with nutrient limits, in the event of an over allocation arising reductions are proposed to be applied proportionately relative to a farms approved land use.

**JULY 2015**