Ministry for Primary Industries
Manatū Ahu Matua

Regulatory Impact Statement: Legal Harvest Assurance Redesign

Decision sought	Analysis produced for the purpose of informing in-principle Cabinet decisions to enable a fit-for-purpose legal harvest assurance system.
Agency responsible	Ministry for Primary Industries
Proposing Ministers	Hon Todd McClay (Forestry)
Date finalised	15 April 2026

Proactive Release

The Minister's preferred option is Option 4B, an export assurance with the ability to activate targeted import legality requirements in the future.

Option 4B establishes a voluntary, government issued export assurance system to support market access. The Option retains the ability to introduce targeted, risk-based import legality requirements through secondary instruments if risks of illegally harvested timber entering New Zealand increase or international expectations change. Import requirements would not apply at commencement.

Summary: Problem definition and options

What is the policy problem?
There are two policy problems:

1. The mandatory requirement to seek government assurance of the legality of the harvest for exported timber and timber products imposes complex, duplicative and therefore, costly obligations on timber exporters. This is disproportionate to the low-risk of the export of illegally harvested timber from New Zealand, particularly in cases where gaining market access does not require government-backed assurance.

2. New Zealand faces a real risk of illegally harvested timber being imported. However, the existing framework provides broad, blanket requirements that are not well-aligned to product and country risk factors around illegally harvested timber. This creates inefficiency, impacting more effective identification and prevention of illegally harvested timber products into New Zealand.

What is the policy objective?
The objective is to improve the effectiveness of the legal harvest assurance system in a way that:

- ensures the regulatory approach is proportionate to the risk of exporting and importing illegally harvested timber, out of and into New Zealand;
- reduces compliance costs for regulated parties and MPI (as the regulator) in a way that continues to provide effective assurances of legal harvest; and
- ensures the system is adaptable so that it can meet changes in market access requirements for government-based legal harvest assurance.

What policy options have been considered, including any alternatives to regulation?

Four options were assessed:

- **Option 1** – Status Quo: Retain the current legislative framework requiring registration, due diligence systems and independent assessments to provide legal harvest assurances for all exported and imported timber and timber products.
- **Option 2** – Repeal the Amendment Act: Remove the legal harvest assurance system meaning existing administrative border processes and international engagement would be relied upon to provide assurances around the harvest of exported and imported timber and timber products.
- **Option 3** – Replace the Amendment Act with a voluntary system for timber exporters who could seek a legal harvest statement (but are not required to) from the government. This statement would provide government-backed assurance to international markets of the legality of the harvest of the timber or timber products. There would be no requirements for timber imports.
- **Option 4A** – Replace the Amendment Act, to provide exporter legal harvest statements as set out in Option 3 and require legality demonstration for timber imports through a risk-based approach to assurance that targets products that have a high-risk of illegal harvested timber.
- **Option 4B** – Replace the Amendment Act to provide exporter legal harvest statements and retain the ability to activate targeted, risk-based import legality requirements in the future.

Under all of the options New Zealand would continue to support voluntary efforts to reduce the trade and import of illegally harvested timber and continue to rely on existing border processes.

What consultation has been undertaken?

Public consultation (28 November 2024 – 26 February 2025) on operational detail to support the implementation of the Amendment Act found stakeholders supported the intent of an assurance system but opposed the existing (mandatory) framework. The framework was seen as disproportionate, complex, and duplicative to existing third-party assurance mechanisms, with concerns being raised about costs, registration and assessments, and better alignment with Australia and European Union approaches. Following consultation, targeted engagement with key exporters and importers was undertaken, with feedback reflecting the view that a government-backed assurance system is needed, but settings must be proportionate and workable.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

No. The Minister's preferred option in the Cabinet paper is Option 4B (export assurance with the ability to activate targeted, risk-based import legality requirements in the future).

Proactive Release

MPI's preferred option in this RIS is Option 4A (export assurance plus immediate targeted, risk-based import legality requirements).

Summary: Minister's preferred option in the Cabinet paper – Option 4B (voluntary export assurance and the ability to activate import legality requirements in the future)

Costs (Core information)

- Compared to the status quo (the Amendment Act), there would be no additional costs for exporters, importers and MPI (the regulator). For MPI, this is due to the set-up costs being absorbed in existing baselines and the main cost being the processing of exporter applications to issue exporter legal harvest statements which would be cost recovered (a fee targeted to the exporter seeking a statement). Any Customs support that is required, should the import component be activated, would be minor and risk-based, integrated with existing border processes.
- There could be wider system level costs to New Zealand associated with illegally harvested timber entering the domestic market in the interim, including market distortion for domestic producers.

Benefits (Core information)

- **Exporters** and domestic harvesters continue to gain access to markets requiring government assurance. Evidence collation and auditable chain of custody where a government statement is sought; uses existing commercial documentation and third-party certificates where available, so costs are materially lower than the status quo which includes a mandatory regime.
- **Importers** face a lower immediate cost, and compliance burden than under the status quo (the Amendment Act), as there would be no system in place immediately. Any future requirements would be targeted, risk-based, and would be expected to be activated only if evidence demonstrates it is warranted.
- **MPI (the regulator)** benefits from a more efficient issuance process that uses existing documentation and results in a reduced administrative burden, compared to the status quo.

Balance of benefits and costs (Core information)

- On balance, Option 4B delivers positive net benefits, with lower system costs than the mandatory framework under the status quo.

Implementation

- Option 4B would be administered by MPI. To meet any changes in international market access requirements, details would be updated through secondary instruments (Notices).[1] Import controls could be activated via secondary instruments, if warranted.
- A Bill would be introduced in 2026 with the intention of passing it into law before the end of the year. The new system would be expected to come into effect on 1 August 2027,[2] and enforcement commencing after a 12-month transition period. Under this option, import requirements would not apply at commencement.

Limitations and Constraints on Analysis

- Monetised costs and benefits are not yet finalised. Analysis relies on qualitative evidence from consultation, targeted engagement and prior RIS work. This is sufficient for in-principle decisions but subject to refinement. Despite these limitations, Cabinet can make an informed decision. The analysis draws on previous stakeholder targeted engagement being aligned with MPI's findings and RIS documents.

[1] Such as the relevant laws for legal harvest, and information requirements.
[2] This is the legislated deadline under the Amendment Act.

Proactive Release

- The legislation needs to be enacted with sufficient lead-in time for operational development ahead of the statutory commencement date of 1 August 2027. This has resulted in analysis being undertaken on an in-principle basis, with some detailed design and quantified costings to be completed at the next stage to ensure implementation can begin within the required timeframe.
- Ministerial decisions and scope have limited the range of options assessed. Analysis is focused on redesigning export assurance settings and the Minister's preference for the option to activate import controls in the future. Consequently, consideration of alternative approaches to managing import risks draws on previous analysis and consultation, and reflects the parameters set by Ministerial direction.

Summary: Agency's preferred option – Option 4A (Export assurance and immediate import legality requirements)

Costs (Core information)

- **Exporters:** Compared to the status quo, there would be no additional costs for exporters (same as Option 4B).
- **Importers:** Importers would face targeted, risk-based requirements to demonstrate that timber has been legally harvested, but there is not expected to be any additional cost compared to the status quo, as it relies on documentation already used for other markets and recognised verification systems.
- **Regulators (MPI):** Compared to the status quo, there would be no additional costs to MPI. However, there would be the need to stand up import system. MPI faces one-off system setup costs and low ongoing processing costs, expected to be materially smaller than under the status quo and recovered through fees.
- **Customs:** Compared to the status quo, there would be no additional costs. Minor operational costs may arise from supporting MPI with detention, verification, and clearance processes for high-risk consignments. These costs are expected to be low because activities would be absorbed into existing border management systems and would not require new infrastructure or standalone compliance functions.

Benefits (Core information)

- **Exporters** retain access to markets requiring timber legal harvest assurance.
- **Importers** experience a lower compliance burden and lower financial costs than under the status quo.
- **MPI (the regulator)** benefits from a more efficient issuance process, with reduced administrative burden due to reliance on existing documentation.
- There is also a wider benefit to New Zealand from reducing the risk of illegally harvested timber entering the domestic market. This protects domestic producers from unfair competition, maintains New Zealand's reputation as a responsible trading partner, supports consumer confidence, and ensures integrity in the timber supply chain.

Balance of benefits and costs (Core information)

- Option 4A delivers net benefits, combining export advantages with proportionate, risk-based import controls. Importer costs are targeted and manageable, while overall system costs remain materially lower than the status quo.

Implementation

- **Exports:** Same as Option 4B.
- **Imports:** Import arrangements would be expected to be the same as 4A but would be effective immediately. They would involve risk-based legality checks for specified timber products, with MPI assessing evidence where required and ensuring detention or refusal at the border. Guidance and templates would be phased in to support compliance.

Proactive Release

Limitations and Constraints on Analysis
• As above, limitations are the same as Option 4B.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:
Olivia Sullivan
Director Forestry System
15 April 2026

Quality Assurance Statement	*[Note this isn't included in the 4-page limit]*
Reviewing Agency: The Ministry for Primary Industries	**QA rating:** Partially meets
Panel Comment: The Ministry for Primary Industries Regulatory Impact Analysis (RIA) Panel has assessed the Regulatory Impact Statement: Legal Harvest Assurance Redesign, dated 27 March 2026. The Panel considers that it **partially meets** the quality assurance criteria. The RIS clearly identifies the policy problem and provides analysis informed by stakeholder feedback on the impacts of the status quo. However, timing, and other constraints including limited engagement on the options has impacted the robustness of the cost/benefit analysis.	

Proactive Release

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

An assurance system has been established to address the illegal timber trade

1. In July 2020, Cabinet agreed to amend the Forests Act 1949 to establish a timber legality assurance system covering imports, domestic production and exports.

2. The objectives of the system are to:
   - strengthen market access certainty for New Zealand forestry exports to jurisdictions with harvested timber legality requirements, and
   - demonstrate New Zealand's commitment to reducing international trade in illegally harvested timber.

   This will be achieved through the Forests (Legal Harvest Assurance) Amendment Act 2023 (the Amendment Act), which, is currently due to commence no later than August 2027.

3. Under the status quo, to address the illegal timber trade there is a focus on people's due diligence. The key features of the system include:

   - **People in the timber supply chain must register with MPI**: Anyone who wants to buy, trade, first process, import, or export timber must complete legal harvest registration with MPI.
   - **Registered parties must operate a due diligence system**: Every registered importer, exporter, log trader, or processor must implement a due diligence system that identifies and reduces the risk of illegally harvested timber entering the supply chain.
   - **Legal harvest information must accompany timber**: Unless exempt,[3] suppliers, including importers, must provide legal harvest information (e.g., legal harvest statements, species, location, required regulatory data) to the next party in the chain.
   - **Imported timber must meet legal harvest standards**: Importers must ensure timber meets the legal harvest laws of the country of origin, supported by due diligence. The system is explicitly designed to limit illegal timber entering New Zealand.
   - **Recognised (accredited) assessors verify due diligence systems**: MPI recognised assessors review and confirm that each registered person's due diligence system is effective. Their assessments enable MPI to issue exporter statements and maintain system integrity.
   - **MPI enforces compliance through powers and offences**: If a person fails to register, maintain due diligence systems, or supply legal harvest information, enforcement provisions allow MPI officers to inspect, request information, and take action.

[3] This includes people handling only non-regulated indigenous timber, and producers below annual volume thresholds.

Proactive Release

The current system is not fit-for-purpose

4. Between 28 November 2024 and 26 February 2025, MPI publicly consulted on the proposed regulations needed to support the implementation of the Amendment Act.[4] Stakeholders broadly supported the intent of having an assurance system, however they opposed the operational framework.[5] Stakeholder opposition to the operational framework centred on the system being disproportionate to the actual risk for importing illegally harvest timber, overly complex and costly for businesses.

5. Feedback from consultation and MPI's analysis, indicated that, if implemented, the assurance system would:
    a. be costly and complex to implement,
    b. duplicate existing business processes, and
    c. not be proportionate to New Zealand's risk of trading in illegally harvest timber.

6. Additionally, the Amendment Act's design assumed alignment with the Log Traders and Forestry Advisers registration system. The intent was to transfer registered traders from the registration system, into the assurance system. However, the registration system was repealed in 2024.[6]

7. Absent a redesign, these concerns can be expected to persist when the Amendment Act is implemented.

8. Having considered the feedback from MPI and consultation, the Minister of Forestry requested that MPI design a simpler, fit-for-purpose assurance system that is adaptable to changing requirements and regulates timber and timber products.

New Zealand's trading partners are increasingly seeking government assurance of legality

9. New Zealand is a significant exporter of timber products. New Zealand's international markets are increasingly looking for assurances that timber products are sourced from legal supply chains.

10. New Zealand is recognised as having a low risk of exporting illegally harvest timber and having integrity in our supply chains. However, there will be an increasing need to provide official assurances to confirm this status and to maintain access to higher value markets.

11. At present, no overseas authority explicitly requires a government issued legal harvest statement. To date, private third-party certification schemes have provided an avenue for

[4] This framework was informed by two previous RISs which explored the system feasibility and stakeholder expectations:
- https://www.regulation.govt.nz/our-work/regulatory-impact-statements/regulatory-impact-assessment-proposed-legislation-for-a-wood-legality-system/
- https://www.mpi.govt.nz/dmsdocument/66210-Interim-regulatory-impact-statement-Bringing-the-initial-legal-harvest-assurance-system-into-effect/

[5] This included key timber importers and exporters, domestic processors, forestry sector businesses, industry associations, and organisations.

[6] The registration system was repealed because it was considered it created unnecessary compliance costs, that the evidence for mandatory regulation was weak and that voluntary mechanisms would be more proportionate and effective for the sector.

Proactive Release

meeting the legality requirements in most regulated markets, but they do not represent a government assurance.[7] Private certification schemes tend to be used by larger timber producers, but they are not generally cost-effective for smaller producers.

12. s9(2)(h) [redacted]

There is a risk of New Zealand importing illegally harvested timber

13. Illegal harvesting of timber is a significant problem globally, with wide-reaching environmental, economic, social, and cultural impacts. Illegally harvested timber reduces the value of legally produced timber, both domestically and in international markets.

14. MPI undertook research in 2025 which demonstrated that New Zealand is almost certainly exposed to the risk of importing illegally harvest timber or timber products.[9]

15. New Zealand's imports of timber products have increased significantly over the last decade. The growing volume of import activity increases the risk of New Zealand becoming a conduit for illegal timber due to the lack of a national assurance system.

What is the policy problem or opportunity?

16. There are two policy problems outlined below.

Exports: The current legislative settings impose a disproportionate regulatory burden on exporters relative to risk of exporting illegally harvested timber

17. New Zealand requires a fit-for-purpose system to support market access for timber exporters where overseas jurisdictions expect evidence of legal harvest. However, the mandatory legislative framework in the Amendment Act imposes regulatory requirements that are disproportionate to the low risk of New Zealand exporting illegally harvested timber. Given that New Zealand's timber exports are already considered low risk of being illegally harvested, the mandatory system (under the status quo) would require

Proactive Release

[7] Certification schemes provide more comprehensive assurances, i.e. they go above and beyond only demonstrating legality. For example, the Programme for the Enforcement of Forest Certification provides independent, third-party assurance that timber originate from "sustainably" managed forests.

[8] s9(2)(h) [redacted]

[9] The risks posed by individual countries varies greatly depending on:

- the type of products New Zealand imports from them;
- the adequacy of their forest governance;
- their compliance, monitoring and enforcement (CME) regimes;
- the level of corruption present; and
- where the wood / wood products are sourced from.

significant regulatory effort to manage the risk of a problem that is unlikely to occur at scale. Most exporters have systems to meet market requirements. The Amendment Act would duplicate these systems without generating additional market access benefits. Without redesign, exporters would face high compliance costs and operational disruption that are not proportionate to the risk of exporting illegally harvested timber.

Imports: Current settings lack a targeted and proportionate mechanism to manage the risk of illegally harvested imports

18. There is a risk that illegally harvested timber products could be imported into New Zealand. Nevertheless, the legislative framework established by the Amendment Act, does not provide a targeted or proportionate way to manage this risk. The Amendment Act requires that all importers of specified timber products meet broad, mandatory due diligence and registration requirements. The requirements apply, regardless of whether the products come from countries known to be high risk for illegal harvesting, or from countries with robust legality systems. The mandatory approach does not align regulatory effort with risk and is unlikely to be efficient in practice. Without a more proportionate approach, New Zealand risks regulatory overreach, where low-risk importers face unnecessary burdens.

What objectives are sought in relation to the policy problem?

19. The objective is to improve the effectiveness of the legal harvest assurance system in a way that:
    - ensures the regulatory approach is proportionate to the risk of New Zealand exporting and importing illegally harvested timber,
    - reduces compliance costs for regulated parties and MPI (as the regulator) in a way that continues to provide effective assurances of legal harvest,
    - ensures the system is adaptable so that it can meet changes in market access requirements for government-based legal harvest assurance.

What consultation has been undertaken?

20. Public consultation was undertaken from 28 November 2024 to 26 February 2025, on proposed regulations to operationalise the legal harvest assurance framework. The consultation was made available to the public online. Trading partners and those who had subscribed to updates about legal harvest work were notified about the consultation. Two documents were available to support consultation:
    - Discussion document: Operational detail for the legal harvest assurance system – MPI website;[10] and
    - Interim Regulatory Impact Statement: Bringing the legal harvest assurance system into effect.[11]

[10] https://www.mpi.govt.nz/dmsdocument/66207-New-Zealands-Legal-harvest-Assurance-System-Consultation-on-operational-detail-for-the-legal-harvest-assurance-system-Discussion-document
[11] https://www.mpi.govt.nz/dmsdocument/66210-Interim-regulatory-impact-statement-Bringing-the-initial-legal-harvest-assurance-system-into-effect

Proactive Release

21. A summary of the feedback received is available online.[12] Consultation found that of the submissions that predominantly disagreed with the proposals, most had provided feedback in at least one prior engagement (issues papers or at Select Committee). Although most submitters had previously provided feedback, it was through consultation on the operational details that the issues with the system and the workability became clearer.[13] Generally, submitters supported the intent of the legal harvest assurance system's objectives but questioned the way the statutory framework had been designed. Feedback from all submitters that disagreed had the following themes:
    - The legal harvest assurance system design is disproportionate to the risks of illegally harvested timber entering the New Zealand supply chain (through domestic supply and import).
    - A registration system (with independent assessments and responsible persons) is unnecessary to achieve the policy intent.
    - The statutory framework is overly complex and duplicates existing processes.
    - The system should be species agnostic, with both domestically grown exotic and indigenous timber covered.
    - The compliance costs will be significant as regulated people will need to establish new systems, record keeping, and assessment processes, with unknown cost recovery.
    - An independent assessor role is not justified in a government assurance system.
    - The legal harvest assurance system should align with Australian and/or European Union legal harvest requirements.

22. The consultation feedback, alongside MPI's own analysis, was used to develop the problem definition and inform options. Following consultation, MPI engaged with border systems to understand how a redesigned system could better integrate with Customs' existing systems.

23. MPI also undertook targeted engagement with key industry stakeholders through three workshops in October 2025. These workshops were attended by representatives across the timber supply chain including harvesting, wood processing, exporters, and importers. The purpose of the engagement was to inform the development of revised options for a redesigned assurance system. The workshops did not present the details of options, but clarified and confirmed feedback received during public consultation, and tested assumptions about the problem definition. Feedback from this engagement was consistent with feedback received via public consultation (in summary: that a system is needed, but that the current system is disproportionate to the risk of exporting illegally harvested timber). No public consultation or stakeholder engagement has been undertaken specifically on the proposed options outlined below in Section 2.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

[12] https://www.mpi.govt.nz/dmsdocument/70629-Consultation-on-operational-detail-for-the-legal-harvest-assurance-system/
[13] Although most submitted had previously provided feedback, it was through consultation on the operational details that the issues with the system and the workability became clearer.

Proactive Release

24. The assessment of the options for addressing the policy problem used the following criteria in **Table 1** below.

Table 1: Assessment Criteria

Assessment Criteria	Description
Proportional regulatory intervention	Does the regulatory intervention appropriately match the level of risk of New Zealand: a) Exporting illegally harvested timber, and b) Importing illegally harvest timber.
Cost-effectiveness	Is the option cost-effective for regulated parties and the regulator to implement.
Future-proof	Can the option be updated efficiently to reflect changes in international market requirements and emerging risks. I.e. it will be effective under future changes in: • international market access requirements (for exports). • the risk profile from different timber imports.

What scope will options be considered within?

25. Only options that are feasible are assessed against the criteria described in **Table 1** above. An option may not be feasible for several reasons, such as if it is prohibitively expensive, or geographically inaccessible.

26. Out of scope matters include:

- Non-harvest-legality matters, such as sustainability. This would go beyond legality and introduce requirements unrelated to whether the timber was legally harvested. It would also duplicate existing third-party sustainability schemes already used by industry.
- Matters that do not require Government-to-Business assurance (i.e. Business-to-Business); These were out of scope because the RIS concerns whether and how government should issue legal harvest assurances, not whether businesses should provide assurances to each other. Business to -business information -sharing already occurs through:
  - supply chain- contracts,
  - commercial documentation,
  - private certification schemes.
- Accreditation or "seal-of-approval" models were not progressed as a separate option as they would endorse private assurance providers and would not provide a government issued statement or support import risk functions.[14]

[14] Consultation and targeted engagement indicated that private schemes vary in cost, accessibility and coverage, particularly for small forest owners.

Proactive Release

What options are being considered?[15]

27. For all the options outlined below, New Zealand would continue to use international forums to raise awareness and action towards reducing illegal logging.[16] Government would maintain border processes that currently exist outside of the Amendment Act and continue to support voluntary efforts to reduce the trade and import of illegally harvested timber, including by:
    - encouraging more organisations to join the New Zealand Imported Tropical Timber Group and the Imported Timber Group;[17]
    - continuing to support the All of Government Timber and Wood Products Procurement Policy, and reviewing its effectiveness; and
    - continuing international engagement in forestry forums that work to address illegal logging and trade.

Option 1 – Status Quo / Counterfactual

28. Option 1 would continue with the current legislative framework as set in the Amendment Act and the operational requirements identified following consultation. Under the status quo, the system established by the Amendment Act would operate as a mandatory regime. The system would apply to all specified timber producers, processors, importers and exporters. It would do this by requiring anyone carrying out regulated timber activities in trade, such as buying or exporting logs, first processing regulated timber, or importing or exporting specified timber products, to register with MPI and operate an assessed due diligence system.

29. The mandatory system would rely on a network of independent, MPI recognised assessors who would review and periodically assess the due diligence systems of all registered people. These assessors must be formally recognised under the Act and are responsible for determining whether a business's due diligence system meets prescribed standards. Their assessments would be required before registration can be completed and at set intervals to ensure ongoing compliance.

30. Registered people would be required to collect, store and pass on *legal harvest information* for all regulated timber they deal with, and their due diligence systems would be periodically assessed by recognised independent assessors accredited under the Act.

31. MPI would use the information produced through these systems to issue exporter statements and oversee compliance.

Option 2 – Repeal the Amendment Act

32. Option Two would repeal the Amendment Act. Market access for exporters seeking government assurance would continue to rely on existing administrative assurance

Proactive Release

[15] Note, the CRIS includes further details on the processes for Options 3 and 4.
[16] Discussed in p.12 of the previous RIS, available: https://www.regulation.govt.nz/assets/RIS-Documents/ria-mpi-plwls-jul20.pdf
[17] The Group is committed to the goal of importing tropical timber that comes from 100 percent verified legal sources, and 80 percent of that is made-up from certified products (i.e. FSC and/ or PEFC).

systems. If additional international markets require assurance, the New Zealand Government could negotiate specific administrative systems to assist market access requirements [redacted].[19] Exporters who could afford it (which may not include smaller exporters), would likely continue to rely on private third-party certifications to meet market access requirements.

33. Regarding timber imports, there would be no legislative requirements to manage the risk of importing illegally harvested timber into New Zealand. However, as with all of the options, New Zealand could continue to use international forums to raise awareness and action towards reducing illegal logging, alongside border processes outside of the Amendment Act.

Option 3 – Provide export assurance only

34. Option 3 would repeal and replace the Amendment Act, creating a system where exporters can voluntarily apply for government assurance of legality for timber and timber products, for market access. This would not substitute private assurance. Instead, it would create a government issued option that exporters can choose to use when it helps them secure access or meet a buyer expectation.

Option 3 would operate by MPI administering a system where:

- Voluntarily, exporters who consider there would be market benefits, would be able to apply for a government export statement of harvest legality.
- Export statements would be an assurance that, at the time the exporter would apply for a harvest statement from MPI, the timber for which information is provided has been legally harvested. Export statements would be issued to exporters and could be used, alongside other information, to support market access. Exporters would be able to use existing commercial information sharing arrangements, including providing evidence of third-party certification schemes, to satisfy the requirements.
- The definition of when timber is legally harvested would state that 'the wood has been harvested in accordance with the relevant laws operating in New Zealand (or the country of origin for imported wood)'.
- MPI would grant an export statement if the applicant provides sufficient evidence of compliance with harvest laws.
- Exporters seeking an export statement would need to provide evidence of legality for at least the initial consignment being sent before an export statement is provided.
- Notices would be used as secondary legislation to ensure flexibility. Notices would set out the relevant laws for harvest legality, and information requirements that need to be met in applications for export statements. This would allow the assurance

Proactive Release

[18] These were previously negotiated to provide for small forest growers that do not have economies of scale to afford the annual fees of achieving and maintaining certification under third-party schemes. Both of these countries currently accept third party verification (See https://www.regulation.govt.nz/assets/RIS-Documents/ria-mpi-plwls-jul20.pdf', p.12).

[19] s9(2)(h) [redacted]

system to respond to changes in market access requirements and in the operating environment, while keeping administrative overhead low.
- The costs of processing exporter applications would be fully recovered.

Option 3 would ensure integrity of the system through the following:
- MPI would set the relevant laws for harvest legality, and the information requirements that need to be met in applications for export statements.
- MPI would set the terms, conditions and any qualifications on export statements.
- MPI would suspend and revoke export statements if the terms and conditions on export statements are not met, and allow any person affected by a decision to request that MPI review that decision.
- Local authorities would be required to make best endeavours to confirm the validity of information they have issued, and which exporters have provided when applying for export statement. MPI would likely make fewer requests to local authorities under the redesigned system, compared to what currently occurs.[20]

35. Option 3 would build on existing commercial arrangements to pass through legality information.[21] Exporters, when requested,[22] would provide assurance to MPI on:
    a. Evidence of timber legality: This would be information from the council on any compliance concerns relevant to the harvested timber at a specific point in time, e.g., a monitoring report, a code of compliance certificate, etc.
    b. Evidence of harvested logs being sold from the forest: This could be log loading documents. These are the core documents that accompany every logging truck from the forest and is the basis for payment. This records the quantity of logs, the company harvesting, species of tree, and the forest location.
    c. Evidence of transactions between the log source and the exporter (sales or purchases) of the timber: e.g., receipts.

36. **Figure 1** below illustrates how exporters could obtain government assurance.

Figure 1: Export Pathway for Issuing Export Statements

Proactive Release

[20] MPI currently contacts local authorities to obtain information for every administrative assurance it issues. The proposed system places the onus for providing information on exporters and uses local authority systems and processes already in place to confirm the validity of this.
[21] During public consultation and subsequent engagement, businesses identified that they already have processes to pass legality information through the supply chain through commercial arrangements. These arrangements, often linked to buyer requirements or third-party verification schemes, can be utilised to support compliance with the proposed system.
[22] In practice, this would mean if asked, importers would be required to provide the information. Importers considered high-risk are likely to be asked and therefore checked.

37. Imported timber products would not be subject to the assurance system.

Option 4A - Provide export assurance and require demonstration of legality for imports

38. Option 4A would replace the Amendment Act to create a framework that sets requirements for:
    a. exporters requesting government assurance for market access (the same as Option 3), *and*
    b. importers to demonstrate legality of timber to MPI, if requested.

39. Under Option 4A:
    - The framework of requirements where exporters can voluntarily apply for assurance of legality for timber and timber products, would be the same as Option 3.
    - If requested by MPI, importers of specified timber products would demonstrate that timber has been legally harvested before entry into New Zealand.
    - If an importer is unable to provide satisfactory evidence that a timber product that it has imported, or plans to import, is sourced from legally harvested timber, the product would not be able to enter New Zealand.
    - MPI would assess all imports equally for their risk of illegally harvested timber. This risk assessment would inform resources deployed to target high-risk imported products. All importers would need to meet certain requirements, but checks may be more frequent on high-risk importers. MPI would work with Customs to undertake checks and allow entry of timber to the supply chain where evidence requirements are met.

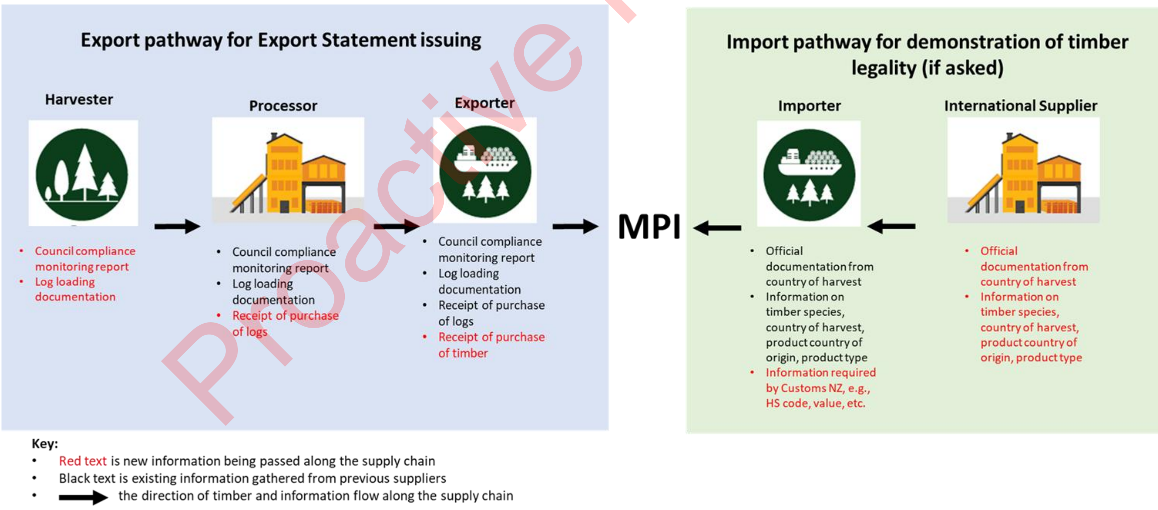
Proactive Release

- "Legally harvested" would mean compliance with the laws and regulations of the country or region of origin, or the legal harvest laws of the exporting country.[23]

40. To support legal harvest assurance requirements, suppliers would provide to the importer, evidence demonstrating that the timber harvest was compliant with harvest laws, such as:
    - the regional authority in the country of harvest, that the timber was legally harvested;
    - the regional authority in the country of export that the timber contained in the product meets their legal harvest requirements (if the country has such legislation); or
    - an approved third-party verification system certifying that the timber in the product has been legally harvested.

    The approach above recognises that evidence of timber legality is already a common requirement for market access in many countries. Suppliers often operate across multiple international markets, and many New Zealand importers already request this information for high-risk timber products.

41. **Figure 1** below illustrates how operational detail could hypothetically be set for exporters and importers.
    Figure 1: Process for Exports and Imports



42. Option 4A would apply to timber and timber products identified through Harmonised System (HS) codes, consistent with the Australian model. Low-value consignments (under $1,000) would be exempt. The specific scope would be determined through risk assessments and set in secondary legislation (Notices) to ensure flexibility and alignment with international thresholds.

Proactive Release

[23] New Zealand cannot require other countries to comply with New Zealand's domestic harvest laws. Assessing legality against the laws of the country of harvest ensures the system is fair, and internationally credible.

Option 4B - Provide export assurance, and the ability to require demonstration of legality for imports in the future

43. Option 4B would establish a legislative framework that initially focuses on export assurance (outlined in Option 3), while retaining the ability to activate targeted import legality requirements (outlined in 4A) in the future if necessary.

44. Under this approach, import controls would not take effect immediately. The Minister of Forestry would decide, based on criteria, when controls for imports should be activated and Cabinet would make regulations to give effect to this. This could be where evidence indicates an elevated risk of illegally harvested timber entering New Zealand, changes in international market expectations, or emerging trade or reputational risks.

45. Although details would be set through regulations and operational policy, it would be expected that:
    - Importers would get notice;
    - There would be a lead-in if activation occurs; and
    - Activation would be accompanied by guidance.

46. This staged approach would allow New Zealand to maintain a proportionate regulatory response in the short term, while avoiding the need for further primary legislation should import risks increase.

47. During the export-only phase, MPI would continue to monitor import risk indicators and international developments, ensuring the system can be activated in a timely and evidence-based manner if required.

Proactive Release

How do the options compare to the status quo/counterfactual?

The following key has been used to show the assessment of the criteria for each option:

++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual/
- -	much worse than doing nothing/the status quo/counterfactual

	Option 1 – Status Quo / Counterfactual	Option 2 – Repeal the Amendment Act	Option 3 – Provide export assurance only	Option 4A – Provide export assurance and require demonstration of legality for imports	Option 4B – Provide export assurance and the ability to require demonstration of legality in the future
Proportional regulatory intervention Does the regulatory intervention appropriately match the level of risk of New Zealand: a) Exporting illegally harvested timber, and b) Importing illegally harvest timber.	0 **Exporting** • Internationally, New Zealand is seen as low risk for exporting illegally harvested timber. Existing laws (outside of the status quo) and processes contribute to this. However, many countries importing New Zealand's timber still require a form of assurance that the timber has been legally harvested. Countries do not necessarily require this to be government-based, and exporters often rely on third-party certification of legal harvest. • The status quo introduces a mandatory system whereby all exporters would have to register and obtain government-backed legal harvest assurance statements, irrespective of whether the importing country required them (or would have accepted third-party certification). 0 **Importing** • There is a risk of New Zealand importing illegally harvested timber. However, this risk is not uniform across all countries. • The status quo manages the level of risk for illegally harvested timber imports through mandatory requirements for all importers to provide documentation that demonstrates the harvest complied with the laws of the exporting country.	+ **Exporting** • Under this option, there would be no regulatory intervention for managing the risk of illegally harvested timber exports. • This would slightly better match the regulatory intervention with the level of risk, compared to the status quo, as it does not impose mandatory requirements on New Zealand exporters, and people within the supply chain. This more effectively reflects that; there is a low risk of exporting illegally harvested timber, because the risk is managed through laws outside of the status quo. - **Importing** • Under this option, there would be no regulatory intervention for managing the risk of illegally harvested timber imports. • This would be worse than the status quo. Regulatory intervention would not be proportionate to the risk of New Zealand importing illegally harvested timber because, without any obligations or meaningful checks on importers, the system would have no practical way to identify or prevent illegally harvested timber entering the country.	+ **Exporting** • Under this option, there would be regulatory intervention for managing the risk of illegally harvested timber exports, however, it would be voluntary. This would provide a means for people to elect to obtain government-back assurance (where needed). Exporters can choose, but are not obliged to, obtain certification based on whether they think it would be of benefit to them. This option reflects that there is a low risk of exporting illegally harvest timber and would operate to proportionally place regulatory intervention so that it meets the needs of exporters more efficiently than the status quo. - **Importing** • Same as Option 2.	+ **Exporting** • Same as Option 3. 0/+ **Importing** • This option would create a system to manage the risk of importing illegally harvested timber. It would determine whether assurance was needed, based on an assessment of risk connected with the import. Unlike the status quo, which requires checks of all imports, there remains a risk of illegally harvested timber being imported into the country. However, this is managed proportionally by ensuring focus is given to those imports where there is the greatest risk of illegal harvest by targeting the need for assurance to be given to where the risk sits, recognizing that risk is not uniform across all countries and that risk profiles can change.	+ **Exporting** • Same as Option 3. 0 **Importing** • Initially, regulatory intervention for imports would be the same as Option 3 (no active import requirements). • However, unlike Option 3, this option retains the ability to activate targeted, risk-based import legality requirements in the future if evidence indicates elevated risks of illegally harvested timber entering New Zealand. This enables a proportionate response that can be scaled to risk over time, rather than imposing blanket requirements in advance. • Overall, the deferred activation of import requirements means there is a residual risk of illegally harvested timber entering New Zealand during the period before activation, relative to the status quo and Option 4A.
Cost-effectiveness Is the option cost-effective for regulated parties and the regulator to implement?	0 The existing legislative settings, by being mandatory are expected to impose costly due diligence and registration requirements for all importers and exporters.[24] This creates a heavy operational load for MPI and importers, including universal assessments, a full assessor network, and large IT needs. For further details, see the cost benefit analysis.	+ Under Option 2, there would be no system in place. Compared to the status quo, this would be more cost-effective, as it would remove the associated costs for setting up and maintaining the status quo for: • Exporters • Processors • Importers • Customs • MPI However, although removing the status quo system would reduce costs by not requiring exporters to apply to MPI for an export assurance statement, a consequence could be that exporters may need to more use more costly third-party private certifications for market access. This, therefore, reduces the overall rating of this option, to overall be better than	+ Under Option 3, **forest owners and managers** would: • face smaller administrative costs through not being required to undertake record maintenance. • still need to pass evidence onto the exporter, however as this won't be required in all cases, this expected to be required less frequently so be less costly compared to the status quo. **Exporters and processors** would: • not be required to register with MPI, compared to the status quo. This would be more cost effective for exporters. • not be required to undertake and maintain a mandatory due diligence system. This would be less costly than the status quo.	+ Under Option 4A, for **forest owners and managers**, this would be the same as Option 3. For **exporters and processors**, this would be the same as Option 3. **Importers** of specified timber products would demonstrate that timber has been legally harvested before entry into New Zealand, if requested by MPI. For **Customs**, costs would be minimal, as MPI would administer the system and less than the status quo. MPI would work with Customs to undertake checks and allow entry of timber to the supply chain where evidence requirements are met. This is expected to be more cost effective than the status quo. It would integrate with Customs systems for risk-based detention and verification, rather	+ Under Option 4B, for **forest owners and managers**, this would be the same as Option 3. For Exporters and processors, this would be the same as Option 3. For **importers**, initially, there would be no additional requirements, resulting in lower compliance costs than the status quo and Option 4A in the short term. Import legality requirements would only be introduced if and when activated, allowing costs to be incurred only if risks justify regulatory intervention. This avoids imposing upfront compliance costs on low-risk importers. For **Customs**, there would be no additional operational costs during the export-only phase. Any future costs associated with import legality checks would be targeted, risk-based, and

[24] For further details on the costs associated with the status quo, see p.7: https://www.mpi.govt.nz/dmsdocument/49054-Updated-Regulatory-Impact-Assessment-Proposed-Legal-Harvest-Assurance-System

Proactive Release

	Option 1 – Status Quo / Counterfactual	Option 2 – Repeal the Amendment Act	Option 3 – Provide export assurance only	Option 4A – Provide export assurance and require demonstration of legality for imports	Option 4B – Provide export assurance and the ability to require demonstration of legality in the future
		the status quo, in terms of cost-effectiveness, but only slightly. For **importers**, there would be no requirements. This would be more cost- effective than the status quo.	• still have a cost for applying to MPI for a harvest statement, however this would be voluntary (and cheaper than a third-party certification as discussed in Option 2). It would be more cost-effective for exporters as they would only apply for a harvest statement if they thought it would be beneficial for market access. **Importers** would have no requirements, which would be more cost effective than the status quo. **Customs** would have no specific requirements. This would be more cost effective than the status quo. **MPI** would have: • costs associated with developing and introducing the regulatory framework. This would be less than the status quo, due to the relative simplicity of a system that has no mandatory requirements. MPI would operate a targeted issuance function that relies heavily on existing documentation, existing commercial supply chain evidence, council records, and third-party certifications, reducing administrative load. • ongoing monitoring and assessment which are expected to be less, due to the requirements not being mandatory.	than building a separate compliance structure. For **MPI**, costs associated for developing and managing a system for export assurance statements would be the same as Option 3. **MPI** would, for timber imports, assess all imports equally for their risk of illegally harvested timber. This risk assessment would inform resources deployed to target high-risk imported products. This is expected to be more cost effective for MPI compared to the status quo, but being targeted to high-risk import products. However, given the cost to importers, it scores slightly lower relative to Option 3.	integrated into existing border processes, and are expected to be lower than under the mandatory framework in the status quo. For **MPI**, costs associated with developing and managing a system for export assurance statements would be the same as Option 3. For **MPI** compared to the status quo, Option 4B is more cost effective. MPI would establish and operate a streamlined export assurance system with lower administrative overhead than the mandatory regime. While the framework would need to be designed to allow future activation of import controls, full importer facing operational costs would only be incurred if activation occurs. This staged approach avoids premature system build and ongoing costs where risks do not materialise.
Future-proof Can the option be updated efficiently to reflect changes in international market requirements and emerging risks?	0 The system cannot be updated efficiently to reflect changes in overseas market requirements or evolving import risks (i.e. if a country that New Zealand imports from increases or decreased in the risk of exporting illegally harvested timber). It would require primary legislative change to adjust the core settings.	- Option 2 performs worse than the status quo on future-proofing because, although there would be no system requiring updates, the absence of any regulatory framework means New Zealand would have no levers to respond to emerging import risks or evolving international market access requirements.	+ For **exports** Option 3 uses secondary legislation (notices), which can be updated efficiently. This allows rapid adjustment to changes in international market requirements and emerging risks without requiring primary legislative change. This is expected to more effectively respond to future changes than the status quo. - For **imports,** Option 3 would be the same as Option 2. There would be no system requiring updates, meaning New Zealand would have no levers to respond to emerging import risks.	+ For **exports**, the use of secondary legislation (notices) would be the same as Option 3. + For **imports,** Option 4A would also use secondary legislation (notices) to define evidence requirements for imports, risk profiles. This allows timely updates as risk profiles change or international legality requirements evolve. It also enables iterative calibration of risk-based checks and acceptable documents. Therefore, it is expected to be more future-proofed than the status quo.	+ For **exports**, the use of secondary legislation (notices) would be the same as Option 3. + While import requirements would not apply initially, this option establishes a legislative framework that enables targeted, risk-based import legality requirements to be activated through secondary instruments if risks increase or international expectations change. This avoids the need for further primary legislation and provides greater futureproofing than Options 2 and 3, while being less immediately responsive than Option 4A.
Overall assessment	0 The mandatory, person-based framework is disproportionate to the low risk of New Zealand exporting illegally harvested timber and does not provide a targeted mechanism for managing import related risk. It is costly for regulated parties and MPI to implement and cannot be efficiently updated, as changes require amendments to primary legislation.	-/ 0 Option 2 performs better than the status quo on cost-effectiveness, as it removes the administrative costs associated with registration, due diligence systems, and assessments. Though this is reduced by consequently meaning that certain exporters may need to use costly third-party private certifications for market access. Its performance on proportionality is mixed: it performs better for exports but worse for imports. It performs slightly worse on futureproofing because no system would exist to update and respond. Overall, Option 2 performs somewhere between slightly worse and about the same as the status quo.	+ Option 3 performs positively across cost effectiveness but is mixed (with positive ratings for exports and negative ratings for imports) for the proportionality and future proofing criterion. For exports, it improves proportionality by providing voluntary, rather than mandatory settings for exports. It is more cost effective than the status quo due to the removal of universal requirements and reliance on existing evidence. For exports, it is more futureproofed because secondary instruments allow efficient updates. However, the system would be worse for imports, as similar to Option 2, there would be no system in place. Overall, Option 3 performs better than the status quo and slightly more than Option 2.	++ Option 4A performs the strongest across all three criteria. It performs best on proportionality by providing voluntary export assurance and targeted, risk-based import controls. It is cost effective because it avoids universal requirements and targets compliance effort to risk. It improves futureproofing by using secondary instruments for both export and import settings. Overall, Option 4 is the highest performing option across all criteria.	+/++ Option 4B performs well across all three criteria. It does not perform as well as Option 4A on proportionality, providing voluntary export assurance, and targeted, risk-based import controls, but the import controls would not immediately be in place creating residual risk that illegally harvested timber could enter in the interim. It is cost effective because it avoids universal requirements and targets compliance effort to risk. It improves futureproofing by using secondary instruments for both export and import settings. Overall, Option 4B, performs well but slightly less than Option 4A.

Proactive Release

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

48. Based on the assessment against the criteria of proportional regulatory intervention, cost-effectiveness, and futureproofing, Option 4A performs strongest overall. Option 4A provides the best alignment of regulatory effort to risk, with voluntary export assurance and targeted, risk-based controls for imports scoring highest on proportionality compared to all other options. It is also more cost effective than the status quo, avoiding universal requirements and focusing compliance effort where it is most needed, and it can be efficiently updated through secondary legislation, ensuring it remains responsive to changing market expectations and emerging risks.

49. Option 4B performs similarly, though it does not perform as well as Option 4A on proportionality. This is due to providing voluntary export assurance and targeted, risk-based import controls, but not providing any import controls immediately. Option 4B accepts a residual risk of illegally harvested timber entering New Zealand during the period before import controls are activated.

50. Option 3 also performs well for cost-effectiveness. It performs also well for exports for proportionality and futureproofing. However, it when considering imports for proportionality and futureproofing, as no system would be in place for imports, it does not perform as strongly as Option 4A overall. Option 2 performs somewhere between slightly worse and about the same as the status quo, due to performing worse for futureproofing, mixed for proportionality and better for cost effectiveness.

51. Overall, Option 4A is the option most likely to best meet the policy objectives and deliver the highest net benefits.

Proactive Release

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

52. The Minister's preferred option in the Cabinet paper is Option 4B, which would:

- allow New Zealand exporters, who consider there would be market benefits, to voluntarily apply for a government assurance of harvest legality; and
- enable MPI to activate controls for importers to demonstrate legality of timber in the future.

53. This is different from the preferred option in this RIS, Option 4A. Option 4A would:

- allow New Zealand exporters, who consider there would be market benefits, to voluntarily apply for a government assurance of harvest legality; and
- include controls for importers to demonstrate legality of timber.

Key assumptions underlying the cost-benefit analysis

54. The key assumptions underlying the analysis for options 3 and 4 include that:

- Exporters would opt into the assurance system when market incentives exist.
- Importers can feasibly demonstrate legality using existing documentation or systems.
- Participants have sufficient information-sharing arrangements in place.
- MPI can implement and maintain the system with lower costs than the status quo.
- International market requirements would continue to evolve and demand for government-backed assurances may increase.
- Stakeholder feedback accurately reflects future compliance behaviour and cost sensitivity.
- Government is not competing with private providers. It is providing a complementary issuance function that can rely on private documentation as evidence.

What are the marginal costs and benefits of the preferred option in the Cabinet paper (Option 4B – Minister's preferred option)?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups (importers and exporters)	Compared to the status quo, there are no additional costs. **Importers:** There would be no new obligations for importers at commencement, as import legality requirements would not apply unless, and until, activated. As a result,	Low (non-monetised)	Medium – based on consultation feedback.

Proactive Release

Affected groups	Comment	Impact	Evidence Certainty
	importers would face no additional compliance costs in the short term. Long term, if activated, the costs to importers would be less than the status quo as they would be targeted. **Exporters (opt-in only)** • A fixed fee per assurance statement (~$25–$30 per statement); sector-wide annual cost depends on volumes. • Staff time to assemble existing legality evidence (council compliance/monitoring reports, log load-out, invoices) and any small retrieval fees.		
Regulators (MPI, Local Government, Customs)	Compared to the status quo, there are no additional costs. **MPI** • One-off system and process design costs to establish the export assurance framework and enable future activation of import controls are expected to be absorbed within existing baselines. • Ongoing costs relate primarily to processing exporter applications, which would be fully cost-recovered through fees. Full importer facing operational costs would only be incurred if import controls are activated in the future. These costs would be less than the status quo and would be cost recovered. **Local government** • No additional costs compared to the status quo. Costs are expected to be less. **Customs** • No additional operational costs at commencement.	Low – this would have happened under the status quo.	Medium – based on the CRIS 1.

Proactive Release

Affected groups	Comment	Impact	Evidence Certainty
	• Any future costs for Customs associated with import legality checks would only arise if import controls were activated, and would be targeted, risk-based, and minimal. There would be no additional costs compared to the status quo.		
Others (e.g., wider govt, consumers, etc.)	Minimal fiscal exposure if fees fully recover the service; negligible pass-through effects relative to status quo. Potential fiscal costs for system development and oversight. Due to the reduced complexity compared to the status quo, these costs are expected to be significantly lower for government, regulated parties and consumers (where costs are passed on). There could be wider system level costs to New Zealand associated with illegally harvested timber entering the domestic market once the decisions to activate the import controls had been made. and before these were implemented, including market distortion for domestic producers, reduced consumer confidence, and the risk of New Zealand becoming a conduit for illegal timber.	Low – this would have happened under the status quo.	Medium – based on consultation feedback.
Total monetised costs	There are no additional new costs compared to the status quo.	Low	Based on the CRIS 1.
Non-monetised costs	Compared to implementing the full framework under the status quo, Option 4B is expected to impose a significantly lower compliance burden on importers and exporters, and to reduce administrative costs for MPI.	Low	Medium – based on consultation feedback, CRIS 1, internal engagement.
Additional benefits of the preferred option compared to taking no action			

Proactive Release

Affected groups	Comment	Impact	Evidence Certainty
Regulated groups	• **Exporters** and domestic harvesters and producers continue to gain access to markets requiring government assurance at a lower compliance cost. • **Importers** would have a lower compliance burden compared to the status quo.	Medium (non-monetised)	Medium – based on consultation feedback.
Regulators	• Efficient issuance leveraging existing documentation; reduced administrative burden compared to the status quo. • Costs associated with operating the system would be significantly lower than status quo (as discussed in the CRIS 1).[25] This is due to the set-up costs being absorbed in existing baselines and the main cost for the regulator, processing exporter applications to issue exporter legal harvest statements, being cost recovered (a fee targeted to the individual/ exporter seeking an issued statement).	Medium (non-monetised)	Medium – based on consultation feedback, the CRIS 1, engagement internally and with Customs.
Others (e.g., wider govt, consumers, etc.)	Credibility of New Zealand timber legality assurances; more equitable access for smaller businesses.	Low – this outcome is similar to the status quo.	Medium – based on consultation feedback.
Total monetised benefits	Not yet quantified at Stage 1. Primary benefit is cost avoidance relative to status quo's universal registration/due diligence/assessor model; to be quantified at Stage 2.	Not yet quantified.	Medium – based on the CRIS 1.
Non-monetised benefits	Improved market access, system flexibility, reduced compliance burden.	Medium	Medium – based on the CRIS 1, and consultation feedback.

[25] The previous system, as discussed in the CRIS 1 has a high estimated establishment cost over $6.0 million, and high ongoing costs over $1.0 million. These high system-wide costs reflect the significant administrative burden created by mandatory registration, due diligence systems, and independent assessments applying to all producers, processors, importers and exporters, regardless of risk profile.

Proactive Release

What are the marginal costs and benefits of the MPI's preferred option (Option 4A)?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups (importers and exporters)	Compared to the status quo, there are no additional costs. **Importers** would face new obligations to demonstrate legality of timber; however, these would be less significant compared to the status quo and utilise evidence required for other markets and systems for demonstrating legality. **Exporters** who opt in would incur costs to provide evidence for assurance. These costs are expected to be lower and more proportionate than under the status quo, as the system would utilise existing processes where they meet a quality benchmark. For both **Importers** and **Exporters**, the system leverages off existing processes and requirements where possible. This was informed through feedback and engagement.	Low (non-monetised)	Medium – based on consultation feedback.
Regulators (MPI, Local Government, Customs)	Compared to the status quo, there are no additional costs. MPI would need to develop and maintain systems for issuing legal harvest statements and monitoring importer and exporter compliance. Although this option would have a higher implementation cost (if you take into consideration the cost in developing the regulatory system to date), it is anticipated to have a lower cost over time. These costs are expected to be lower than implementing the full framework under the status quo and would leverage	Low	Medium – based on the CRIS 1, engagement internally and with Customs.

Proactive Release

Affected groups	Comment	Impact	Evidence Certainty
	existing MPI assurance and compliance systems.		
Others (e.g., wider govt, consumers, etc.)	Compared to the status quo, there are no additional costs. Potential fiscal costs for system development and oversight. Due to the reduced complexity compared to the status quo, these costs are expected to be significantly lower for government, regulated parties and consumers (where costs are passed on). Consumers may benefit from improved confidence in timber legality.	Low – this would have happened under the status quo.	Medium – based on consultation feedback.
Total monetised costs	Compared to the status quo, there are no additional costs. Relative to the status quo, the redesigned system is expected to materially reduce system-wide costs (status quo estimated >$6.0m establishment and >$1.0m ongoing annually), but robust monetisation for the redesigned option will be completed at Stage 2.	Not available.	Medium – based on the CRIS 1.
Non-monetised costs	Compared to implementing the full framework under the status quo, Option 4A is expected to impose a significantly lower compliance burden on importers and exporters and reduce administrative costs for MPI.	Low	Medium – based on the CRIS.
Additional benefits of the preferred option compared to taking no action			
Regulated groups	**Exporters** and domestic harvesters and producers continue to gain access to markets requiring government assurance. **Importers** benefit from a clearer framework and management of illegally harvested imported timber undercutting the market. Lower compliance burden compared to status quo.	Medium (non-monetised)	Medium – based on consultation feedback.
Regulators	MPI can more efficiently provide assurances due to relying on existing	Medium (non-monetised)	Medium – based on

Proactive Release

Affected groups	Comment	Impact	Evidence Certainty
	systems and processes that exporters and importers already have in place. Costs associated with operating the system would be significantly lower than the status quo.		consultation feedback, the CRIS 1, engagement internally and with Customs.
Others (e.g., wider govt, consumers, etc.)	Strengthened international reputation; reduced risk of illegally harvested timber entering New Zealand and providing robust assurance where required for export. More equitable access to assurance for smaller businesses. Reduces the risk of illegally harvested timber undercutting domestic and international sellers of legally harvested timber.	Low – this outcome is similar to the status quo.	Medium – based on consultation feedback.
Total monetised benefits	Benefits include avoided under/over recovery and efficiency from risk targeted checks; monetisation to be completed at Stage 2 alongside final fee design and volumes.	Not yet quantified.	Medium – based on the CRIS 1.
Non-monetised benefits	Improved market access, system flexibility, reduced compliance burden.	Medium	Medium – based on the CRIS 1, and consultation feedback.

Proactive Release

Section 3: Delivering an option – Option 4B (Minister's preferred) and Option 4A (MPI's preferred)

How will the proposal be implemented?

55. Cabinet is asked to decide between two closely related options that share the same legislative framework but differ in **when import legality requirements would take effect**. The Minister's preferred option is **Option 4B**, which initially focuses on export assurance and retains the ability to activate targeted import legality requirements in the future. MPI's preferred option is **Option 4A**, which would apply both export assurance and import legality requirements from commencement.

56. Under both options, implementation would require new primary legislation to replace the Forests (Legal Harvest Assurance) Amendment Act 2023, followed by secondary instruments (Notices) to specify detailed evidence requirements, scope, and operational processes.

Implementation timing

57. For both options, the replacement Bill is intended to be introduced and passed by the end of 2026. The redesigned system would commence no later than **1 August 2027**, consistent with the statutory deadline under the Amendment Act. Enforcement action would not commence until **12 months after commencement**, providing a transition period for exporters (and importers under Option 4A, or if Option 4B import controls are activated) to familiarise themselves with evidentiary requirements and system processes.

Responsible agencies and roles

58. Under both options, MPI would be responsible for administering and enforcing the legal harvest assurance system. MPI's functions would include:
    - assessing applications for export legal harvest statements;
    - issuing, suspending, or revoking statements as required;
    - developing and maintaining guidance, templates, and operational systems; and
    - undertaking monitoring and compliance activities using a risk-based approach.

    Where import legality requirements apply (under Option 4A, or if activated under Option 4B), MPI would ensure arrangements for detention or refusal of consignments that do not meet legal harvest requirements are in place.

Funding and cost recovery

59. Both options would operate on a cost recovery basis, consistent with the principles set out in the Stage 1 Cost Recovery Impact Statement appended to this RIS. Fees would primarily relate to processing exporter applications for legal harvest statements. Under Option 4B, importer-facing cost recovery would only apply if import legality requirements were activated in the future.

Implementation risks and mitigations

60. The following implementation risks apply to both options. Exporters may have low initial uptake of voluntary export assurance; this risk is mitigated by the voluntary design, allowing uptake to scale with market demand. There is also a risk that export statements may not be immediately accepted in all markets; this is mitigated by retaining existing administrative and private assurance pathways alongside the new system.

61. Under **Option 4B**, there is a residual risk that illegally harvested timber could enter New Zealand during the export-only phase. This risk would be mitigated through continued monitoring of import risk indicators, existing border processes, and the ability to activate targeted import requirements if risks increase.

Proactive Release

Under **Option 4A**, importers may face compliance challenges at commencement. This risk is mitigated through risk-based targeting, clear guidance, and a transition period before enforcement begins.

Sector capability and readiness

62. MPI has existing capability to administer the redesigned system, drawing on established assurance, compliance, and border related functions. Additional capability requirements under Option 4B would only arise if import controls are activated.

    Consultation indicates exporters and importers already hold most of the information required to demonstrate legal harvest, and sector readiness is expected to be sufficient under both options.

Implementation timeline

63. Under both options, legislation would be expected to be enacted by late 2026 to allow sufficient time for operational systems, guidance, and Notices to be drafted and implemented ahead of the 1 August 2027 commencement date. A 12-month transition period will follow to allow exporters, and importers under Option 4, to familiarise themselves with evidentiary requirements and system processes.

How will the proposal be monitored, evaluated, and reviewed?

64. MPI would monitor and evaluate the system under both options 4A and 4B, with a formal review after the first year of operation.

65. Monitoring would focus on uptake of export legal harvest statements, the quality and completeness of evidence submitted, compliance issues, and market acceptance of government-issued assurances.

66. Where import legality requirements apply, monitoring would also assess importer compliance and system effectiveness. Findings from monitoring and stakeholder feedback would inform ongoing system refinement and any decision to activate import controls under Option 4B.

Proactive Release