

FIFA: Elements of relevance to private woodlot owners

The forest industry consistently urged the New Zealand Government not to ratify the Kyoto Protocol until a detailed cost/benefit analysis had been undertaken, until our major trading competitors agreed to do so, and until developing countries agreed to participate on the Second Commitment period starting in 2013.

The Government ignored these pleas and ratified the Protocol early last year.

A major reason for the industry's position was that when implemented, the Protocol would add to processing and transport costs within New Zealand and provide non signatory trade competitors with competitive advantage.

When it became obvious that the Government would ratify the Protocol and at the same time assume ownership of forest sinks, the industry argued strongly that its role in creating the sinks should be recognised by returning part of the value of the sinks to the industry. The Government agreed to this approach through the Forest Industry Framework Agreement (FIFA). FIFA is designed to provide funding to a number of industry initiatives aimed at generating further forest plantings and in further processing in New Zealand the increasing wood supply.

Most of the proposed initiatives will assist the private woodlot owner by reducing the costs of producing, transporting and processing their wood fibre, and by increasing market access and promotion for NZ wood product exports.

Over the last twelve months, working committees consisting of industry and government representatives have been developing the FIFA "buckets" for consideration in the Government's 2004 Budget.

Funding proposals have now been submitted on industry labour recruitment and skills training, roading infrastructure, increased use of forest waste in biofuel production, market access, and market production. While some of these will help some sectors of the industry more than others, all will help reduce production costs and help increase the demand for New Zealand's wood exports.

The outcome of the FIFA negotiations will be announced in the Government's 2004 annual Budget anticipated to be released in May. However, the Government has advised that FIFA funding included in the Budget will not be released to the industry until both parties have signed a Memorandum of Understanding setting out the respective responsibilities of both the Government and the industry in respect to the FIFA objectives.

The industry representatives have made it clear that before signing a MOU, they will need to consult with their members. This consultation will provide an opportunity for all forest growers, including small woodlot owners, to decide if the budget allocations are of sufficient size to compensate the industry for the Government's decision to take ownership of the sink credits.