

# Submission

## A BETTER EMISSIONS TRADING SCHEME FOR FORESTRY

Submission to:

Ministry for Primary Industries [etsforestregs@mpi.govt.nz](mailto:etsforestregs@mpi.govt.nz)

<https://www.teururakau.govt.nz/news-and-resources/consultations/proposed-climate-change-forestry-regulations-changes/>

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## The Forest Owners Association (FOA)

The New Zealand Forest Owners Association Incorporated (FOA) is the representative membership body for the commercial plantation forest growing industry. FOA members are responsible for the management of approximately 1.2 million hectares of New Zealand's plantation forests and over 75% of the annual harvest.

In 2019, the forest growing sector was worth \$6.93 billion in export value and has a 12% share of rural land use.

## Part A: Averaging accounting: how it will work in practice

### Settings for rotations bands

Do you prefer wide rotation bands (Option 1), narrow rotation bands (Option 2), or mixed-width rotation bands (Option 3)? Why?

#### **FOA position:**

There are arguments both for, and against, whatever band widths are chosen. Furthermore, the setting of the band widths may influence forest manager behaviour. Forest manager intentions and future circumstances will vary widely, and their band preferences will vary accordingly. The FOA considers that where bands are allocated any core, or default, band should reflect the most common harvest age for that type of forest.

Given the relatively long investment periods involved in forestry it is not unusual for harvesting intentions to change from the time planting was undertaken. Any policy settings should recognise this and allow forest owners a reasonable level of flexibility without punitive penalties. There is a concern that a change in length of subsequent rotation will, under the proposals, trigger a significant penalty. This is likely to adversely impact small domestic wood lots where the next generation is unaware of settings signed up to. To the extent possible the band setting should also avoid encouraging harvesting regimes that are detrimental to the domestic wood processing market.

In general, more specificity with age bands will mean that the average carbon returns earned are more closely aligned with what has actually been sequestered and allows forest owners with higher than normal harvest ages the ability to earn greater reward. This, however, requires greater forecasting ability several years ahead, increased likelihood the band chosen will not be appropriate, and greater compliance and administration costs. Broader band widths are simpler

and provide greater flexibility for owners but could lead to a concentration of harvesting at the lower end of the band which could compromise the system and require review.

Related to the above, the FOA also considers MPI's regional tables urgently need updating with information on sequestration rates that MPI now has via FMA plots. It is patently unfair that owners of small plantation forests (<100 ha and therefore working off look-up tables) are not being rewarded on the basis of greater accuracy when this is available.

### **Part 3C: Rules for when a subsequent rotation forest can be treated as a first rotation**

Creating a proposed 15- year "stand-down period" on land which has been deforested before it can be treated as a first rotation

The Amendment Bill introduces a "stand-down period". When a forest is registered in the ETS, it will be checked to see if the land was forested during the "stand-down period" – if it was, it will be registered as second or subsequent rotation forest. This will apply to any deforestation from when the averaging sections of the Bill come into force (1 January 2021).

Is a 15-year stand down period appropriate?

#### **FOA position:**

While the FOA understands the concern about early harvesting in order to maximise the benefit of entry in to the ETS the proposed 15-year stand down period will cause undesired and unintended consequences. For any owner of an unregistered eligible forest who wishes to enter the ETS this will create a management challenge of exactly what they do with the land during the stand down period. After a period of several years any land left untended will support a dense cover of weeds, gorse etc. This time period will be sufficient to make the ETS registration (and therefore the ability to access carbon income) uneconomic and, accordingly, it may also be enough to put them off replanting and remaining in forestry.

We acknowledge that selective harvesting on a sustainable yield basis will be permitted by requiring at least 30% canopy retention.

### **Permanent post-1989 forests: a new way to earn NZUs for carbon stored in forests which will not be clear-felled for at least 50 years**

#### **FOA position:**

In 2021 PFSI participants will have option of joining the ETS as a post-1989 forest (stock change or averaging) under a new permanent (50 years clear fell restriction) forest category or exit and remove all their forests from carbon accounting

We agree that the PFSI is overly complicated and unnecessarily expensive (compared to less complex ETS registration). It has had limited uptake and yet permanent forestry should be an important option for many landowners and with minimal obstacles.

The FOA also recognises the case for penalties (refer below) that adequately disincentivise early clearfall of permanent forests but considers this is best set in quantum of carbon units rather than dollar amounts which may bear no relation to the value of the carbon in the future.

## **Part B: Reporting and Claiming your NZUs**

### **Simple reporting: an option for simplified reporting for some forests under averaging accounting**

Where carbon stock change reporting is not required a tick box approach is proposed. This is anticipated where, for example, a participant has post-1989 forests using averaging accounting and the forest doesn't change rotation band during an emissions return period; it is a first rotation forest which is not shifting between rotation bands; a first rotation forest affected by an adverse event;

#### **FOA position:**

This is a logical approach that reduces complexity and time without compromising the credibility of the accounting system and as such it is supported.

### **An option for Te Uru Rākau to calculate returns on behalf of a participant**

This option will require participants to supply considerably more information than they currently do.

#### **FOA position:**

Supported (for all forests) as it is optional and while additional information will be required to be supplied this will typically be easily provided by the applicant and likely to significantly easier to do than the calculations themselves.

### **Field Measurement Approach (FMA): applying the FMA to more post-1989 forest categories**

The FMA is implemented entirely through the Regulations, and these currently only cater for existing post-1989 forests using the stock change approach. It is proposed to introduce changes to update the Regulations to allow averaging and permanent post-1989 forests to also use the FMA.

Three particular areas rise:

1. Applying the 100 hectare threshold for FMA participations to post-1989 forest across "forest categories", specifically should the 100 hectare threshold at which a participant becomes subject to the FMA be based on the total registered area of post-1989 forest, or based on the area registered in each?
2. Collecting and supplying FMA information for post-1989 forest subject to averaging accounting
3. Collecting and supplying FMA information for permanent post-1989 forests.

#### **FOA position:**

The extension of FMA to other categories is supported, particularly noting that the document states “In 2020/21, we expect options will be developed to reduce the cost of FMA monitoring for older forests on stock-change accounting – fewer measurements will be needed for such forests. This should particularly benefit permanent post-1989 forests, and indigenous forests, with their longer time horizons”

## **PART C: Managing your forest in the ETS**

### **Carbon equivalent forest land swaps: being able to relocate your post-1989 forest by planting elsewhere, so long as the new forest stores the same amount of carbon**

#### **Temporary adverse events: an exemption from surrendering NZUs if a participant’s forest is affected by a temporary adverse event**

It is proposed to introduce an optional exemption from surrender liabilities if a participant’s forest is registered under averaging accounting, or in the permanent post-1989 forest activity.

#### **FOA position:**

Supported. This is a logical recognition that it is not reasonable to apply normal penalties for Acts of God/Acts of nature that are beyond the control of participants.

### **Tree weed (wilding pine) management: exemptions from surrendering NZUs for tree weed management on pre-1990 land**

#### **FOA position:**

Supported.

### **Best practice forest management: establishing the requirements**

#### **Penalties: introducing penalties for clear-felling permanent post-1989 forest registered in the ETS**

#### **FOA position:**

As noted above the FOA supports the introduction of a new approach for managing permanent forestry to replace the PFSI.

Adequate penalties for clear-felling permanent forest should also exist but the FOA considers these penalties should be related to the carbon value being protected rather than a dollar figure which may bear no relation to the value of the carbon in the future.

Thank you for the opportunity to submit on this issue. As always, FOA is available for further consultation.

A handwritten signature in black ink, appearing to read 'D Rhodes', with a stylized, cursive script.

David Rhodes, Chief Executive