



Submission

- to -

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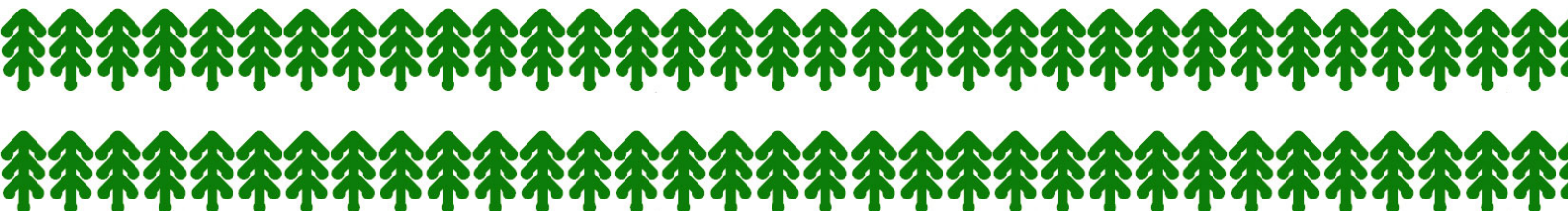
New Zealand's post-2020 climate change contribution under the United Nations Framework Convention on Climate Change

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1. Introduction

The New Zealand Forest Owners Association (FOA) represents the commercial plantation forest growing sector of New Zealand and FOA represents over 200 members with ownership over some 1.2 million ha of plantation forests. These estates comprise around 70% of the total forest growing area in New Zealand and involve small owners through to the major corporate and timberland investment interests.

The government agreement to provide a forest industry consultation in addition to the public meetings was appreciated and helped inform this submission. The FOA has the following key comments to make as part of its submission:

2. Key Points

- 1. A new agreement will be reached in Paris this year that will be binding and require a greater level of commitment than New Zealand has previously made.**

At the 2011 Meeting of the Parties in Durban, countries agreed to establish a new binding international climate action agreement by the end of the Paris Climate Summit in December 2015 – either a protocol, another legal instrument or an agreed outcome with legal force applicable to all parties. The agreement to move beyond the Kyoto framework and craft a new binding and global agreement involving commitment by all 194 member countries is supported by the FOA, but it implicitly requires a greater level of effort.

Statements by the IPCC (Intergovernmental Panel on Climate Change) have become more definitive about human induced global warming and the level of emissions reduction required to avoid significant adverse impacts including social disruption. The global target of no more than 2°C temperature rise is very clear and it is also very clear that current efforts are insufficient to achieve this. Such a goal requires global emissions cuts in the order of 40-70%. Accordingly, country contributions tabled prior to the 21st meeting of the Conference of the Parties (COP 21) in Paris in December are expected to be an advance on previous commitments and this has been accepted.

Lead countries such as the US, China and Europe have already tabled INDCs that are significant advancements on previous commitments and more is likely in Paris. This has substantially altered the commitment expectations and what can be achieved.

Against this backdrop it will not be credible for New Zealand to continue with the policy to date of subsidising emitting industries and relying on the purchase of international units from emissions reductions made by other countries. This policy has seen our net GHG emissions rise 21% between 1990 and 2013 and it would have been double that if it were not for the contribution of forestry offsets.

We consider that New Zealand has particular scope for reducing emissions from energy and transport through wind, geothermal, solar technology and electric cars in urban settings and these options should be adequately stimulated by the ETS.

We also suggest that, in the context of the 2030 timeframe, the argument that there is nothing that New Zealand will be able to do about the 50% of its emissions emanating from agriculture (which the consultation document tries to reinforce) is not supported by current knowledge. While it is true that we are more efficient and effective at producing food on a unit of emissions basis than other countries, we do not consider this will allow us to avoid a greater level of commitment. If we want to keep using the line that "*New Zealand is doing its fair share*" then we will have to do more than we are currently doing.

New Zealand has played a lead international role on enteric fermentation research and trying to find solutions for methane and nitrous oxide emissions. It is our understanding that this research shows very promising results and that the emissions reductions that can be expected are substantial. On the basis that the target in question applies to the period between 2020 and 2030, and that it is an intended target, it is reasonable to build in the likelihood that there will be substantial reductions from agriculture to our target. There are also options such as feed pads, housing, nitrogen inhibitors, tree planting etc. that do not have to wait for new technology and can make some difference.

Without a price signal there is no incentive to search for new ways to reduce emissions. Indeed the opposite applies as any reductions made could set a new baseline for tomorrow. The FOA is not advocating for a strong and immediate cost to be applied to the agricultural sector. Our economy remains fundamentally reliant on agriculture and this must be taken in to account, but the current cost of the emissions is being borne by those who have no influence on those emissions. We propose a measured exposure to a greenhouse gas price being applied starting at or close to zero and then applying a gradual increase over several years that is well signalled in advance.

We do not believe this creates a conflict situation between agriculture and forestry. Much of the land where forestry is suitable will not be favourable for agriculture and where it is an integrated land use approach, rather than an alternative land use, can provide a more reliant business model.

2. Objectives for the INDC should place an emphasis on the longer term

The consultation document lists three objectives that have already been set to support decision-making as follows:

- It is seen as a fair and ambitious contribution
- Costs and impacts on society are managed appropriately
- It must guide New Zealand over the long term in the global transition to a low emissions world

We have no issue with any of these objectives. Indeed we expect that they will be supported by most submitters. It is how they are interpreted, and the conclusions reached, that makes all the difference.

Our view is that emphasis must be given to the longer-term view. A fundamental change with a managed transition to a different economy is required. The debate on an appropriate target for 2030 needs to be considered in the context of a longer term goal and how we will get there. This is the long term vision and stability that business investors require. The absence of it leads to the most appropriate investment decisions being delayed and perverse behaviour. Clarification of the longer term pathway will also encourage innovation and support of new technology which will be fundamental to New Zealand competing and prospering in a new carbon-constrained age. Forestry more than any other sector has suffered from unpredictable policy fluctuations when it should have been receiving a longer term signal to expand.

There is a heavy emphasis in the discussion document on the immediate costs that New Zealand will face. Much less discussion is devoted to the costs of inaction or potential benefits from achieving emissions reductions and embracing new technology. Thus far we have seen the ETS deliver cost to the taxpayer while not achieving the reductions that supposedly justify those costs. The subsidies have distorted the signal.

It is important that we move in step with other countries, An "intended" target allows us to do that with while retaining that flexibility.

3. New Zealand's minimum 2030 target needs to be in the order of a 20% reduction on 1990 levels, or equivalent, with some limited conditions

New Zealand has three targets currently in effect:

- A. An unconditional target of reducing greenhouse gas emissions to 5 per cent below 1990 emissions by 2020 (under KP rules)
- B. A pledge of a conditional target range of between 10 and 20 per cent reduction below 1990 levels by 2020 based on the following broad caveats:
 - i. the global agreement sets the world on a pathway to limit temperature rise to not more than 2°C;
 - ii. developed countries make comparable efforts to those of New Zealand;
 - iii. advanced and major emitting developing countries take action fully commensurate with their respective capabilities;
 - iv. there is an effective set of rules for land use, land-use change and forestry (LULUCF); and
 - v. there is full recourse to a broad and efficient international carbon market.
- C. A long-term target of a 50 per cent reduction in emissions below 1990 levels by 2050.

The first three conditions are expectations for Paris. LULUCF rules by comparison will likely take some time to resolve and a broad and efficient international carbon market is much less likely in the near term. The INDC target is an "intended" target and thus these latter two key ingredients for New Zealand can remain conditions while still allowing New Zealand to table a target that will be consistent with the longer term goal.

The target date for Paris negotiations is 2030 – a decade on from 2020. To achieve New Zealand's longer term 2050 goal based on an incremental increase in reductions over the period between now and then, the goal for 2030 would need to be at the top of the range for the conditional 2020 target i.e. 20% (or a 10 to 15% increase on our current target). By 2040 it would need to be a 35% reduction.

It will be important for New Zealand to assess the contributions that other countries are making. These are difficult assessments and require multiple factors to be taken in to consideration. Nonetheless, when the comparisons have been done, New Zealand should expect that a greater level of effort will be required than has been the case thus far. Recalibrating emissions reductions on a per capita or an emissions intensity basis can provide helpful assessments of the level of effort, but they are not arguments that diminish the need for the level of absolute reduction. This is a non-negotiable

atmospheric absolute. In the final analysis the global INDCs must sum to a given minimum or they will be inadequate.

Of course there are uncertainties going forward but that is allowed for by having an intended target. New Zealand can help ensure the commitment it tables in Paris is not overly ambitious by making it conditional on some of the key factors that it has previously required. Conversely, arguing to hold off making a commitment until we have certainty around the new legal framework is not defensible.

4. The role of forests and wood products in achieving global reductions will be a key focus of the negotiations and ensuring there is a clear direction on future land-use rules will be critical for NZ

While new technologies will deliver vital gains in achieving the needed worldwide reductions in greenhouse gases, it remains a difficult goal. Forests and wood products have an increasingly important role to play in making it more achievable.

Forestry will continue to be a strong focal point in the international talks because of the proportion of emissions from deforestation (20%) but the role of planted forests is equally important.

Whether the forestry and wood products rules are completed in Paris or details are left for future meetings does not affect whether New Zealand tables an intended target but progress on establishing the rules in an adequate timeframe will be very important. There are unique aspects of land use such as natural disturbances, the age class structure of forests and non-permanence which have all required special rules for forestry not found elsewhere, and not required, for example, in reporting on agricultural emissions.

We agree with the statement in the consultation document that *"Rules that provide the right incentives to maximise carbon sinks and smooth out the fluctuations of planting and harvesting cycles will be critical"*.

There is a reasonable prospect that LULUCF will give way to a more comprehensive approach to land use sector emissions under Agriculture Forestry and Other Land Use (AFOLU)

Some of the developing countries who are being asked to sign up to a new agreement will have significant challenges dealing with agriculture and flexibility will likely be essential to get them to sign up. AFOLU may offer a pathway that New Zealand could support.

Reference levels have been an important tool used with forestry under the Kyoto Protocol. Thus forestry emissions count, or don't count, relative to an agreed reference level. Reference levels have the potential to be used more widely i.e. to include all forest related activities or even other land use categories. There are options that would allow New Zealand's business as usual background forestry harvesting cycle to be recognised as a constant over time and avoid boom and bust reporting. However, it is equally important that all afforestation is adequately recognised and encouraged, particularly when applying any agreements to domestic policy.

5. New Zealand's international and domestic actions should not be considered in isolation

While comment has not been sought in the INDC consultation on domestic policy settings we consider that the two matters are inextricably linked and influence each other.

Whatever target New Zealand takes to Paris it will need to explain how it is going to achieve that target. The Emissions Trading Scheme (ETS) is the key tool that New Zealand is relying on to deliver its INDC. As such, the 2015 technical review of the ETS needs to proceed in tandem with the development of our INDC. This includes a review of the current subsidies and, importantly, progress on the recognition of harvested wood products contribution. Harvested wood products carbon storage is a contribution currently being made by our wood processing industry that is now internationally accepted, but not domestically recognised.

Further action is required to encourage industries that have not already transitioned away from a heavy reliance on fossil fuels to do so. The wood products industry in New Zealand has already made substantial progress towards use of bioenergy, particularly in mechanical pulp and engineered wood processing plants. Much of this was voluntary and pre-dated the ETS. It is important to recognise this.

The consultation document rightly notes that there is a balance to be achieved between relying on purchasing international offsets that reflect action taken by another country, and emissions reductions as a result of domestic action that reflect a home-grown change in our economy.

6. New Zealand is one of the countries that can, and should, utilise the window of opportunity that forestry and wood products can deliver

The FOA was part of the New Zealand delegation that was instrumental in getting recognition for achieved forests and harvested wood products at COP 17 in Durban. We will be coordinating our efforts with the International

Council of Forest and Paper Associations (ICFPA), the World Business Council for Sustainable Development (WBCSD) and the Forestry Department of the Food and Agriculture Organisation (FAO) to deliver a joint message to negotiators at COP21 on the role of forestry in INDCs.

Forestry and wood products can give New Zealand much needed time to help transition our economy. All wood and wood based products, irrespective of their life, store carbon, in some cases for hundreds of years. Land filling of wood based products extends this life by around 100 years. Forestry can deliver regional development and multiple other environmental benefits as well as providing economic diversification. Forests and harvested wood products, which New Zealand was instrumental in getting recognition for, can also give New Zealand much needed time to help the transition to a low carbon economy.

Lamentably, New Zealand is one of few countries in the world where the trend in the national area of forest trend has worsened over recent years with net deforestation of 100,000 ha between 2002 and 2012. Unfortunately, there is anecdotal evidence that more deforestation is yet to come. This stands in stark contrast to the government's statement that forestry is important for meeting our commitments.

It is now too late to recover the lost decade and offset the forest emissions that will occur post 2020, but new planting can still make a big difference to 2030 to 2050 targets with the right recognition of their contribution.

The benefits from forest planting extend well beyond their carbon sequestration value and include regional and iwi development, economic and business diversification, reduced floor and erosion risk, other environmental benefits such as water quality, reduced sediment and nutrient loss, and enhanced biodiversity.

The carbon benefits of forests and wood products alone, however, are sufficient for the nation to be concerned about whether they are provided or not. That benefit has been sufficient driver for a number of other countries to provide support for both forestry planting and management as well as wooden construction solutions.

The Emissions Trading Scheme is the primary tool by which New Zealand will achieve its INDC or not. As such it is important that the technical review is not delayed. There is sufficient clarity about the future need for behavioural change and the lack of any real progress in reducing emissions to make decisions about the ETS settings.

We consider the Emissions Trading Scheme is the most effective and efficient tool for delivering a market signal that recognises the value of stored carbon in both trees and wood products and both should be pursued further. For forestry to deliver, though, the price of carbon has to increase. The ETS is scheduled to be reviewed this year and it is a matter of urgency. The review should occur in tandem with the development of the INDC because it is the ETS which is the primary tool that New Zealand will be relying on to achieve the INDC and should thus be informing the negotiations at the end of this year. Furthermore, until the ETS is amended it will continue to send investment signals which we consider are inconsistent with New Zealand's long term objectives. The Ministry for the Environment acknowledged in the post-election brief that the ETS settings delivered a weak signal that did not prepare New Zealand for a transition to rising carbon prices. At a price signal of around \$15-20t/C we estimate that there would be sufficient interest in new planting to achieve the level of afforestation needed.

For the ETS to be effective it is our view that greenhouse gas emissions liability should be applied across all sectors with appropriate phase-in as per the original ETS design. Any supply-side management of the value of the NZU through auctioning should not be implemented while NZUs trade below a \$25 to \$50/unit range. The point of intervention and the extent of intervention will be dependent on a range of factors including, but not limited to, whether the current emissions subsidies are persisted with, the available supply of units domestically and the level of access to international carbon markets. For all investors though, it will critical for the point of intervention to be well signalled.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D Rhodes', written in a cursive style.

David Rhodes
Chief Executive