

FACT SHEET FOR FORESTRY ETS CONSULTATION: OPERATIONAL CHANGES

ETS Forestry Package: Operational Changes

The proposed operational improvements have been directed at reducing the complexity of the Emission Trading Scheme (ETS) for forestry. These changes are expected to make compliance easier.

Several proposals were based on the specific feedback from the 2015/2016 ETS review, and others from Te Uru Rākau's administration of the ETS and interaction with participants.

Key Facts about proposed changes

12%

Participants failed to file their returns on time for the latest Mandatory Emissions Return period (MERP).

122

New non-compliant transfers of participation identified between 1 January and 30 June 2018.

- Creates a more attractive ETS for both:
 - Large forest owners who already have an understanding of the forestry sector; and
 - Small forest owners where forestry is not their core business.
- Increases forest owners' confidence in the ETS by providing improved certainty of investment.
- Forms a more flexible framework for forests to contribute to primary industries and sustainable land management.

Types of Changes and their benefits

The 26 identified operational changes are divided into three categories:

1. Significant changes (5 proposals)

These proposed changes will:

- positively impact investment decisions in forestry
- improve the ETS for a large number of forest owners
- require Regulations to be developed at a later date after the Climate Change Response Act (2002) is amended.

2. Operational issues (4 proposals)

The operational changes are important as the final ETS design needs to be considered in conjunction with the proposed new ETS accounting approach (averaging).

3. Minor and technical changes (17 proposals)

These proposed changes will:

- Improve areas where the legislation creates uncertainty for participants, is not working in line with the policy intent, or is contradictory
- result in participants making fewer inadvertent errors
- improve participants compliance with ETS obligations
- add administrative benefits for Te Uru Rākau.

P89 applications

between 2013 and 2018 based on demonstration of land eligibility.

20%



■ Accepted ■ Rejected

80%

We are seeking your feedback on the many elements of the operational improvements, and the full proposals are in the ETS Forestry Discussion Document. The significant changes are outlined below:

1. More certainty around land classification

The lack of certainty around land classification increases the potential costs to land owners and reduces investor confidence in forestry because the ability to participate is uncertain. It is proposed to add an enabling provision in the Climate Change Response Act (2002) (CCRA) which permits land classification (e.g. pre-1990 forest, post-1989 forest land, land eligible to be registered as post-1989 forest if established in forest) to be decided by the use of a definitive, publicly available GIS layer map.

2. Improving the deforestation offsetting process

The current rules for offsetting the deforestation of pre-1990 forest land do not work well due to offsetting applications being strictly pass/fail, the timeframes for forest clearance and establishment, and the limited ability to vary applications. It is proposed to amend these provisions to enable increased flexibility for land owners wanting to use deforestation offsetting.

3. Improving the tree weed deforestation exemption process for pre-1990 forests

The current process for tree weed deforestation exemptions does not enable applicants the flexibility in dealing with lengthy tree weed eradication or to capitalise on the experience gained through current tree weed control programmes. It is proposed to provide a more flexible approach that adjusts to particular experience gained from current efforts and includes new techniques.

4. Improving access to existing exemptions for land with multiple owners

Owners of less than 50ha of pre-1990 forest land were able to apply for land to be declared exempt from deforestation liabilities. This required all legal owners of land on 1 September 2007 to sign a statutory declaration that they owned fewer than 50ha at that time.

This proposal aims to improve the access to this exemption by amending the CCRA to permit the trustees for multiple owned land to complete the application (even if appointed after 1 September 2007). For these applications, it is proposed to apply the 50ha threshold exemption to the land title rather than the individual trustee.

5. A simpler process for Section 60 exemptions

Section 60 exemptions under the CCRA are often granted after deforestation has already occurred. Although it is possible to apply this exemption to deforestation events which have already occurred (under certain circumstances), this part of the CCRA is not clear. This creates challenges when drafting the Order in Council and it is possible that circumstances could occur where an exemption cannot legally be granted.

The proposal is to simplify the Section 60 exemption process by explicitly stating that Section 60 exemptions can be granted for activities or emissions that occurred prior to the Order in Council.