

ETS Forestry Package: Permanent Post-1989 Forests

We propose to establish a new activity in the ETS: permanent post-1989 (PP89) forest. Permanent post-1989 forest will have a restriction on harvesting for a specific period of time. This differs from post-1989 (P89) forest where clear fell harvesting is possible. Both exotic and indigenous forests will be able to be registered as permanent post-1989 forests.

We are consulting on the decision to create the new activity and a number of design details.

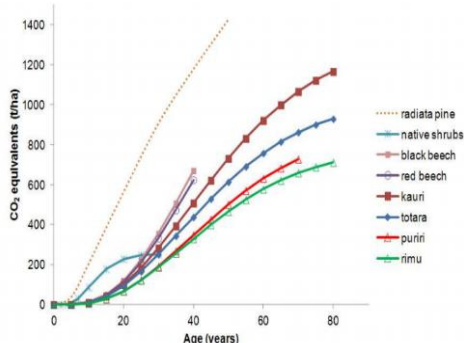
1 to 3 million tonnes per year

How much carbon dioxide 100,000ha of permanent forest will store well into the 2050's.

1.16 million hectares

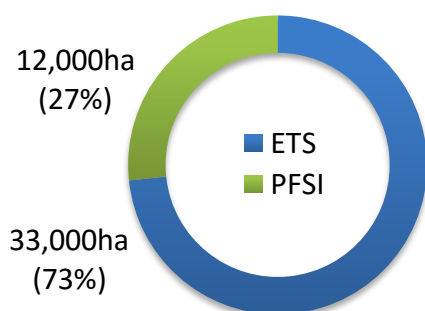
Red Zone land under the Erosion Susceptibility Classification

Example long term sequestration rates



(Source: Mark Kimberley, David Bergin and Peter Beets (2014), "Carbon Sequestration by Planted Indigenous Trees and Shrubs", Technical Article no. 10.5, Rotorua: Tane's Tree Trust.)

Indigenous forest in carbon schemes



Benefits of Permanent Forests

- Long term sequester of carbon
- Cash flow from land in indigenous and non-harvest forest
- Incentivises indigenous afforestation
- Assist in meeting long term climate change targets
- Allow ability to react to changing circumstances while staying in carbon forests
- Consideration of long lived species such as redwood with carbon income until harvest
- Erosion control

Benefits of establishing a PP89 Activity in the ETS

Landowners who participate in PP89 will be part of the ETS and managed under the Climate Change Response Act 2002 (CCRA).

- The creation of a new voluntary PP89 activity within the ETS will create one single framework for managing and administering forest carbon schemes as opposed to the current two inconsistent schemes.
- Administration of permanent forests will be simplified and easier through standardising rules, processes access to online systems.
- NZUs issued to permanent forests will be differentiated from other forestry NZUs.
- Easier to implement improvements from ETS changes (e.g. not have to repay units for adverse events).
- Easier to understand how permanent and rotational forests interact together in the ETS, and simpler to administer.
- This would result in the current carbon scheme for permanent forest, the Permanent Forest Sink Initiative (PFSI), being disestablished.

What would permanent post-1989 forestry mean for landowners?

- Access to the online processes of registration, including the mapping of forests and submission of emissions returns.
- Simpler processes for registering additional forest.
- Consolidation of existing covenants held by individual entities into a single ETS participation, with associated economies of scale for Field Measurements.
- Reduction in risk associated with adverse events.



Preferred Option

50 year permanent period

The preferred approach is to align PP89 with the existing minimum timeframe of 50 years in the PFSI. This is seen as the right balance between a participant's commitment to permanence without locking land into a carbon option forever.

Not offering a Covenant

The CCRA legal framework, with its strong enforcement provisions, will help ensure the permanence of PP89 forests. Landowners would be able to register other covenants over the land if they wished.

Options for current PFSI covenant holders

- i. Transfer to the new PP89 activity under the ETS
- ii. Transfer to the P89 activity under the ETS
- iii. Exit and repay all units received.

Only earn units from start of the MERP

Participants will only be able to earn units from the start of a Mandatory Emissions Return Period (MERP). This is the case with new ETS registrations for P89.

Cost of Participation

Fee type	Fee (incl GST)
Registering as an ETS participant	\$562.22 for the first 4.25 hours, then \$132.88 hourly
Processing an emissions return	\$102.22 for the first 45 mins, then \$132.88 hourly
Application to add a CAA	\$102.22 for the first 45 mins, then \$132.88 hourly

We seek your feedback on multiple PP89 design specifics including the following:

1. Length of 'permanence' period

The current carbon scheme for permanent forests (PFSI) has a minimum timeframe of 50 years. The length of the 'permanence' period should demonstrate a balance between upholding the integrity of permanence while allowing the flexibility to change. It should also account for the land alienation provisions of the Te Ture Whenua Māori Act (1993) which place a 52 year term for long term tenure as the upper limit applied to Māori land.

2. Should an optional covenant be offered?

PP89 would be treated as like other P89 forestry activities under the ETS. This would make relationships between the Crown and landowners simpler and reduce registration and administration cost for both parties as Crown consent for any new/varied interest in the land (e.g. mortgage) would not be needed.

3. Completion of a 50 year non-harvest clause

Upon completion of the proposed 50 year non-clear fell period it is anticipated that PP89 remains in a stock change accounting approach to continue earning NZUs. Options available to PP89 participants will need to strike a balance between upholding "permanence" and offering multiple choices to create an attractive scheme.

4. Transferring from P89 to PP89 on first rotation

If P89 participants use the proposed averaging approach and PP89 remains in a stock change approach, transferring between approaches may be complex. The transfer is simple if a forest is below the average age for that forest type. However, transferring after a forest has reached its average age may require repayment of some units.

Current PFSI covenant holders

Participants who are currently registered in the PFSI will have the ability to transfer from the PFSI to PP89. This transition would mean:

- minimal compliance costs of transferring
- no reassessment of PFSI land eligibility
- the use of a transfer document to gather the relevant information.

PFSI covenant holders who do not wish to transfer to PP89 will be able to exit the PFSI and will be required to repay all units received.