

The New Zealand emissions trading scheme is part of the government's response to climate change. Emissions trading will help reduce emissions, encourage and support global action on climate change, and help put New Zealand on a path to sustainability.

This factsheet explains how emissions trading will affect the forestry sector.

Forestry in the emissions trading scheme

Factsheet 17



September 2008

Greenhouse gas emissions from forestry

Forestry is New Zealand's largest potential carbon 'sink'. For this reason, it has been selected as the first sector to enter the emissions trading scheme.

As trees grow, they absorb carbon dioxide from the atmosphere and store it in their trunks, branches, leaves and roots (above ground and below ground biomass).

In turn, when the trees are harvested, that carbon is released back into the atmosphere. The speed at which the stored carbon is released is very hard to predict, as it depends on the type of product that the wood is transformed into. However, the remainder of the forest biomass left over after harvesting decays rapidly, with two-thirds decayed after seven years.

The forest estate included in the emissions trading scheme will create a carbon reservoir helping New Zealand meet its obligations under the Kyoto Protocol. This will be supported by new planting initiatives and harvesting strategies.

What forestry activities does the emissions trading scheme cover?

The emissions trading scheme classifies forests differently depending on when a forest was first established. This largely mirrors the rules under the Kyoto Protocol.

Post-1989 forests:

- > are those established on land that was not forest land as at 31 December 1989 or that was forest land on 31 December 1989 but was deforested between 1 January 1990 and 31 December 2007
- > generate forest sink credits for growth from 1 January 2008
- > create liabilities when carbon stocks decrease, such as at harvest or if the forest was to burn down.

Pre-1990 forests:

- > are areas that were forested as at 31 December 1989 and remained forested on 31 December 2007
- > generate liabilities if the land is 'deforested', where the trees are removed and a new land use is introduced.

When does forestry enter the emissions trading scheme?

The forestry sector entered the emissions trading scheme on 1 January 2008 because of the importance of forestry to New Zealand's ability to meet its international obligations for greenhouse gas emissions.

How does forestry participate in the emissions trading scheme?

Eligible post-1989 forest land can be voluntarily brought into the emissions trading scheme. Where post-1989 forest land is brought into the scheme it will receive New Zealand Units (NZUs) for net increases in carbon stocks sequestered. If carbon stocks fall, such as when the forest is harvested or if it burns down, NZUs previously allocated for growth may need to be surrendered.

More detail on forested land which meets the criteria for post-1989 forest land covered by the scheme is in preparation.

The government retains responsibility for the credits and liabilities of post-1989 forests that do not join the scheme.

Owners of pre-1990 forest land face obligations under the scheme if they 'deforest' (ie, remove the trees and convert to a new land use, such as agriculture).

Deforestation obligations for pre-1990 forests apply only to exotic forests, not indigenous forests. Pre-1990 forest landowners do not face any emission obligations if they

harvest the trees, as long as the land is replanted or left to regenerate into forest.

The following exemptions from the scheme apply to pre-1990 forests:

- > forests where the landowner (along with any associated persons) had total holdings of less than 50 hectares of pre-1990 forest land on 1 September 2007 (forest owners in this situation have the choice of applying for an exemption or an allocation of units under an allocation plan)
- > areas of deforestation of two hectares or less during the five years 2008–2012
- > if public notice is given, deforestation of land with specified tree weeds.

Potential impacts of the emissions trading scheme on the forestry sector

The government expects the deforestation of pre-1990 forest land to reduce substantially under the emissions trading scheme. At the same time, it expects more new forests will be planted and existing forests will be managed in a way that increases the levels of carbon stored in them.

The decrease in land value for pre-1990 forest landowners as a result of reduced land-use flexibility will be at least partially offset by the government allocating landowners a significant number of emission units.

Will the forestry sector receive an allocation of emission units?

The government will allocate emission units to owners of pre-1990 exotic forest land via an allocation plan and determinations. Overall, 55 million NZUs will be allocated (less the number of units required to meet the cost of deforestation of land that is exempt).

Allocation plan and determinations

The 55 million units will be allocated in two parts. During the first commitment period (2008–2012), landowners will be allocated 21 million units, which is equal to the previously announced deforestation cap. A further 34 million (tradable) units will be allocated at the same time but will be post-dated so that they may only be surrendered from 2013 onwards.

Units will be allocated to pre-1990 exotic forest landowners on the basis of the size, age and purchase date of their forest landholdings. Owners of forests bought on or before 31 October 2002 that qualify as pre-1990 forests will be allocated an estimated 60 units per hectare. Those who purchased their forest after 31 October 2002 will receive 39 units per hectare. In addition, 18 units per hectare have been set aside for future Treaty claimants who receive Crown Forest Licence land.

Where post-1989 forest land has been brought into the scheme, eligible participants are entitled to file an emissions return setting out their entitlement to NZUs for the net increase in carbon sequestered in that forest land. NZUs are transferred, following a direction from the Minister of Finance rather than through an allocation plan process.

Other government climate change initiatives relevant to forestry

The government has three existing initiatives in place to encourage landowners to plant more trees. These are:

- > the East Coast Forestry Project, a programme specifically designed to address soil erosion in the Gisborne district
- > the Permanent Forest Sink Initiative (PFSI), which promotes the establishment of permanent forests on previously unforested land – owners who have entered into the PFSI will be able to move to the emissions trading scheme, if they choose, within 18 months of the Climate Change Response (Emissions Trading) Amendment Act being passed
- > the Afforestation Grant Scheme, which encourages forest planting by people who do not want to join the emissions trading scheme.

The government also has a wider package of policies to tackle climate change in New Zealand's land management sectors. The government is working in partnership with stakeholders in the forestry and agriculture sectors to facilitate the Plan of Action for Sustainable Land Management and Climate Change. This package includes helping foresters, farmers, growers and other businesses in the land management sectors to develop the skills, knowledge, technology and management techniques to reduce their emissions and adapt to climate change.

Where to go for more information

For more information on the government's climate change work, including more information about the emissions trading scheme, visit www.climatechange.govt.nz or call **0800 CLIMATE (0800 254 628)**.

For more forestry-specific information, such as 'Forestry in the Emissions Trading Scheme Guide' and 'Forestry in a New Zealand Emissions Trading Scheme: Questions and Answers', visit the Ministry of Agriculture and Forestry website at www.maf.govt.nz/sustainableforestry