

## Newsletter on Carbon Credits from Native Forest Regeneration

Issue 11, January 2007

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### 1. EBEX21 Restructured

Since our last newsletter, EBEX21 has been split into two separate entities: [EBEX21](#) and [CarboNZero](#). EBEX21 still works with landowners generating carbon credits through native regeneration on their land, and verifies the credits ready for sale (*The sellers*). CarboNZero works with individuals and organisations to minimise their impacts on climate change by providing them with tools to measure, manage and mitigate their carbon dioxide (CO<sub>2</sub>) emissions (*The buyers*). Below is a diagram showing the current flow of carbon credits through EBEX21 and CarboNZero (Fig. 1).

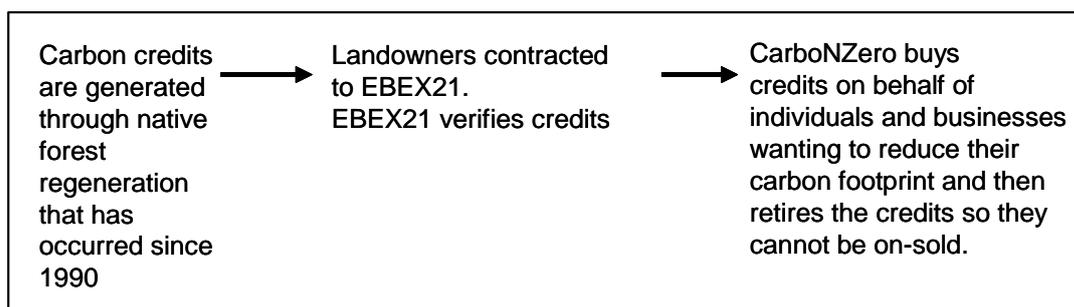


Figure 1. Current flow of carbon credits from native forest regeneration, from generation to end use.

### 2. EBEX21 and the Permanent Forest Sink Initiative (PFSI)

From 2008 all Kyoto-compliant carbon credits from regenerating forests will need to comply with MAF's Permanent Forest Sinks Initiative (PFSI) rules, and be registered on the Ministry for Economic Development (MED) register. MAF will require landowners to pursue a special PFSI Covenant to enable them to trade their credits anywhere, including internationally. In addition, MAF's Indigenous Forestry Unit (IFU) is currently developing a process for site registration and audit. More information is available in the attached PDF and on the MAF website: [www.maf.govt.nz/forestry/pfsi/index.htm](http://www.maf.govt.nz/forestry/pfsi/index.htm)

It is likely that forestry/farming consultants will become registered certifiers of carbon in shrublands and forests, but it is not yet clear whether an on-site audit will be required to certify the amount of carbon stored at a given site. At this stage the criteria that EBEX21 uses for site selection are compatible with the regulations being developed by IFU. In addition, smaller land parcels (< 50 ha) can also be registered, although costs may be prohibitive as there are MAF fees and levies to consider. We expect that EBEX21 landowners can become PFSI landowners from later this year, if desired by landowners. EBEX21 will be further restructured to fit in with the PFSI although we are unsure of exactly what role EBEX21 will play in the PFSI. EBEX21 is currently engaged in discussions with MAF to clarify the position and specific requirements for EBEX21 landowners. Landowners will be informed as soon as we are sure of our direction. A diagram of the potential structure from 2008 is shown below (Fig. 2).

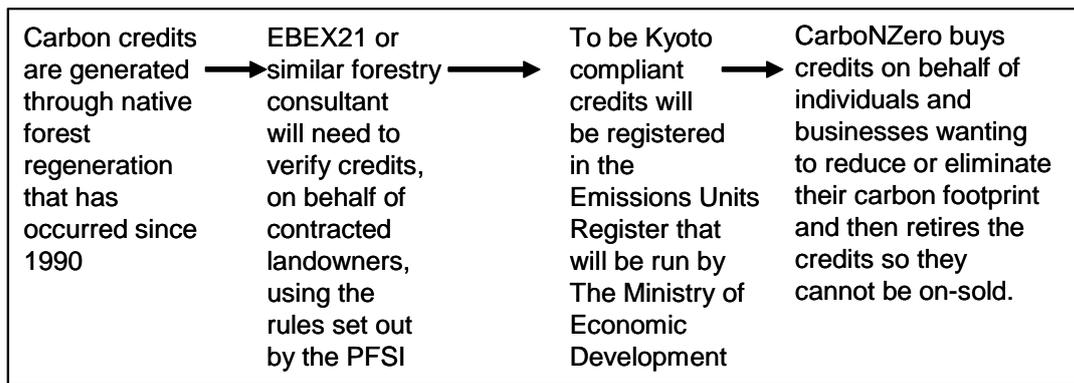


Figure 2. Potential flow from 2008 onwards of carbon credits from native forest regeneration, from generation to end use.

### 3. What Are Emission Units?

The world is growing more familiar with the concept of climate change but there are still some areas of confusion. One of those relates to 'Emission Units' (EUs) or so-called carbon credits, and in particular the value of EUs.

EUs equate to one tonne of CO<sub>2</sub> or warming equivalent. Other greenhouse gases such as methane and nitrous oxide result in 21 and 310 times the warming effect of CO<sub>2</sub> respectively, but they can all be standardised to EUs. The size of one EU is stable; the monetary value of one EU is not.

The value of an EU is dependent on several factors relating to the type and source of the unit, and that in turn reflects the certainty of measurement and whether or not there will be a direct or indirect effect on the atmosphere. The perceived quality of the EU is what drives the value.

The quality of EUs derived from technological-energy-generation sources in Europe (mostly traded on the European Union Emissions Trading Scheme) that result from shifts in energy generation from fossil-fuel based to renewable sources is seen to be high. They are immediate, easily and quickly measured, and have a direct effect on reducing emission sources to the atmosphere. For that reason the value of those credits on the world market is high. EUs arise from various sources and have names such as ERUs (emission reduction units), CERs (certified emission reduction units), AAUs (assigned amount units) and RMUs (removal units) – each having a different perceived quality.

Afforestation/reforestation credits (the kind generated by offset schemes such as EBEX21 or PFSI) are not highly regarded on the world market. They may not be permanent, have an indirect effect on climate change by removing atmospheric CO<sub>2</sub> rather than reducing initial emissions, are complicated to measure, difficult to determine leakage, prone to entrepreneurial manipulation, may negatively affect other values such as biodiversity, and may not result in the changes in habit that are required to solve climate change. For those reasons their value is lower than some of the other EUs. Hence the need for what appear to be complicated rules around offsetting schemes.

It is important for participants in forest regeneration offsetting schemes to ensure the credits that eventuate are of the highest possible quality, to maintain value.

See following links for more information:

- [www.nzeur.govt.nz/templates/Page\\_21754.aspx](http://www.nzeur.govt.nz/templates/Page_21754.aspx)
- [www.treasury.govt.nz/release/kyoto/sinclair/08.asp](http://www.treasury.govt.nz/release/kyoto/sinclair/08.asp)

### 4. Next Issue

Updates on research and properties contracted and audited.