

Newsletter on Carbon Credits from Native Forest Regeneration

Issue 12, October 2007

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1. New Zealand climate change policy released

On September 20th, the latest climate change policy was released by the New Zealand Government, including details of a domestic emissions trading scheme (ETS) and changes to the Permanent Forest Sinks Initiative (PFSI). While the implications are wide and varied, here we focus solely on issues for indigenous forest owners.¹

With respect to EBEX21 and the PFSI:

- MAF costs are to be reduced from those proposed in February. Annual administration levies are to be removed and registration costs will likely take the form of a single fixed fee. Some Audit costs for MAF to audit the carbon estimates will still apply. Cost details available soon at: <http://www.maf.govt.nz/forestry/pfsi/>
- Credit units (AAUs - assigned amount units) are to be allocated to participants throughout the commitment period (2008-2012) so participants won't have to wait until the end of 2012 to sell their units.
- Participants will be able to exit the PFSI after 50 years as long as AAUs and other expenses are repaid.
- Participants can swap to the ETS within 18 months of entering PFSI if desired.

With respect to the ETS:

Owners of pre-1990 exotic forests are to be allocated NZUs (New Zealand Units) to help cover any deforestation liabilities between 2008-2012. These can only be traded domestically. Feedback is sought on whether owners of pre-1990 indigenous forests should also be allocated NZUs as an incentive for "avoided deforestation" during the commitment period. Forms for submissions on this issue will be available at regional meetings and hui and at:

<http://www.maf.govt.nz/climatechange>

With respect to the Afforestation Grants Scheme (AGS):

Owners of Kyoto-compliant (post 1989) planted indigenous forests and "assisted indigenous reversion" are eligible to apply for the AGS. However, we don't yet know exactly what will count as "assisted indigenous reversion", or, how much money is likely to be available, or, if you can apply retrospectively. AGS will initially be allocated by tender and it is expected that the payment will reflect the expected size of the carbon storage on a given piece of land, but that consideration of other environmental benefits such as increased biodiversity, improved water quality, erosion control will occur. Landowners entering the AGS will make a contract with the Crown for 10 years, will not be eligible for the PFSI, will not get any NZUs or AAUs for their forests but will also not be responsible

¹ Material in this newsletter is for information purposes only and does not constitute policy advice. Readers should contact MAF for formal advice on options under the new government policies.

for any deforestation liabilities arising after the ten year contract. This might particularly suit landowners with areas of less than 50 hectares that they wish to establish in forest as there will be a one-off payment and few, if any, costs. We expect the grant to be pretty small, however, on indigenous sites.

2. EBEX21 and Urtica Inc.

EBEX21 has recently contracted Chris Stowe and Kiri Pullen of Urtica Inc. to complete audits of new EBEX21 sites. This gives us the benefit of having an independent opinion of the areas of forests eligible for EBEX21 and the amount of carbon currently stored on a particular site. Kiri and Chris have both previously worked with Landcare Research in the area of measuring carbon storage in forests. They have been assisted by Ant Kusabs and Tom Orchiston, also former Landcare Research associates.



Photos: Kiri and Chris out and about on EBEX21 sites with Larry Burrows from EBEX21 and members of the Wellington Botanical Society.

3. New EBEX21 contracts signed

Because of increased demand from carboNZero Programme clients for carbon offsets we have included a number of new landowners in the EBEX21 pool. These new EBEX21 sites are in north Otago, Murchison, and near Wellington, Masterton and Blenheim. Spreading the pool of sites enables us to spread risks of carbon losses over a wide geographical area. EBEX21 is still working through the implications of the recent changes to the PFSI and the role we will have within the PFSI in the future. It is expected that new EBEX21 landowners, that are not currently working through the contracting process, will come under the PFSI framework to minimise any duplication of effort.