

Climate Change: Preferred Policy for the Forestry Sector

In developing its Preferred Policy Package, the Government has sought to balance the interests of the New Zealand forestry sector with the interests of New Zealand as a whole. The preferred policy for the forestry sector is set out in a Working Paper on pp37 - 42 of *Climate Change: The Government's Preferred Policy Package, A Discussion Document, April 2002*.

Summary of Preferred Policy

- The Government retains all sink credits and harvest/deforestation liabilities arising from forests planted since 1990 (“Kyoto forests”).
- Deforestation liabilities are *not* devolved to owners of non-Kyoto forests (those planted before 1990) and are capped at five percent of the forest area expected to be harvested over the first commitment period of the Kyoto Protocol, 2008 – 2012.
- In principle, New Zealand will not account for forest management under Article 3.4 of the Protocol. This is particularly relevant to owners of all forests (both indigenous and exotic) established before 1990. It means New Zealand will not face any liabilities for the loss of carbon through either harvesting or pest damage, over the Protocol's first commitment period. It also means New Zealand would not receive credits from the growth of much of its regenerating scrubland.
- A mechanism will be developed to encourage the establishment and enhancement of Kyoto forest sinks (this may be part of the general Projects mechanism).¹
- A further mechanism will be developed to encourage the establishment and enhancement of permanent (non-harvest) forest sinks. This will be of particular interest to owners of highly marginal pastoral land.
- Under the Protocol, New Zealand must determine its definition of forest by specifying values for certain key parameters from within set limits; New Zealand will select parameters at the upper limit of each of the allowable ranges. This would maximise the land from which New Zealand could potentially earn credits, while minimising the land that would face a liability if the land use were changed away from “forest”
- Wood processors and potential new investors in wood processing who meet the criteria for being Competitiveness-at-risk² would be able to enter into Negotiated Greenhouse Agreements³ with the Government.

¹ The Government will provide incentives for projects that will deliver defined reductions in greenhouse gas emissions, in any sector of the economy. To qualify for an incentive, projects must be additional to business-as usual.

² The Competitiveness-at-risk group is made up of sectors of the economy and particular industries that would find it difficult to adjust if they were expected to face a cost on emissions in the first commitment period.

- All forestry sector participants will have access to the Projects mechanism.

Suggested Issues for Feedback

- What mechanism should be used to provide incentives for planted forest sinks, and what are the implications of the proposed mechanism? What limits or criteria should apply to the mechanism and how much should be budgeted for it?
- What mechanism should be used to provide incentives for protection (non-harvest) forest sinks, and what are the implications of the proposed mechanism? What limits or criteria should apply to the mechanism and how much should be budgeted for it?
- What issues, advantages, or disadvantages do you see arising from the proposed definition of 'forest'?
- What issues, advantages, or disadvantages do you see arising from the decision in principle not to account for forests under Article 3.4?
- What issues, advantages, or disadvantages do you see arising from the decision to retain all sink credits and liabilities (including capped deforestation liabilities)?

This summary is drawn from *Climate Change: The Government's Preferred Policy Package, A Discussion Document, April 2002*, available at www.climatechange.govt.nz. See pp 37 - 42 of the document for a full Working Paper on the preferred policy for the forestry sector.

³ Negotiated Greenhouse Agreements are contractual agreements between the Government and Competitiveness-at-risk firms or sectors to reduce greenhouse gas emissions in return for partial or full exemption from any emissions charge. The agreed emissions path would be consistent with each firm's individual circumstances and would be designed to achieve international best practice in managing their emissions per unit of production.