

SUBMISSION TO NEW ZEALAND EMISSIONS TRADING SCHEME REVIEW 2015/16

Organisation: **Forest & Wood Action Group (Bay of Plenty & CNI)**

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INTRODUCTION:

The Forest & Wood Action Group (FWAG) has been formed to implement actions arising from the Bay of Connections Forest & Wood Processing Strategy.

The group is comprised of members representing a wide cross section of their industries, including commercial operators, companies, research, education & training, economic development, and local and central government partners. Current membership list is attached.

Our vision: *To extract the maximum sustainable regional wealth from the CNI forest resource*

Our mission: *To provide advocacy and strong leadership to maximise growth opportunities.*

Forest & wood processing is the largest wealth-producing sector in the region, contributing \$765 million in GDP (2013).

It is also a significant generator of wealth in associated and servicing sectors in the region, producing 30% of the volume exported through the Port of Tauranga and is the largest category of rail freight.

The sector has also generated a significant engineering industry, with 80% of NZ's transport equipment manufacturing being carried out in the region.

FWAG provides a valuable advocacy, communication and collaboration function, across the full value chain.

FWAG has considered the matters raised in the Discussion document 24 November 2015, to the New Zealand Emissions Trading Scheme Review 2015/16 and submits as follows.

[REDACTED]

SUBMISSIONS

Harvested wood products – Managing Deferred Liability

FWAG submits that:

- **The average decay curve for harvested wood products should be applied in the ETS**
- **Government provide ETS related encouragement of forest growing and harvested wood products via two avenues to achieve mutually beneficial aims.**
 - a. **Devolve all forward carbon liability at harvest of post-1989 forests that are voluntarily registered in the ETS to the owners of those forests.**
 - b. **Use a portion of the national value created by post-1989 forests that are not registered in the ETS, to provide direct assistance to New Zealand wood processing and manufacturing.**

The current ETS assumes that stored carbon in forests is released to atmosphere at harvest.

FWAG supports the implementation of the internationally-agreed principle recognizing that different harvested wood products store carbon for different lengths of time.

In doing so, we recognize that accounting for the deferred liability for emissions according to wood product type would be administratively cumbersome and may distort supply or allocation of logs to different uses, or in fact encourage waste of forest yield.

We therefore support the use of the average decay curve for harvested wood products.

Government has recognized the importance of increased afforestation and the retention of existing forests in meeting its climate change obligations. These objectives can be supported by managing the deferred liability by:

- Devolving all forward carbon liability at harvest of post-1989 forests that are voluntarily registered in the ETS to the owners of those forests.
- Using a portion of the national value created by post-1989 forests that are not registered in the ETS, to provide direct assistance to New Zealand wood processing and manufacturing.

Increased forestry will reduce net GHG emissions

The capacity of growing forests to sequester CO₂ is well known. Radiata pine will sequester around 30 tonnes of CO₂ per hectare a year from age 14. That suggests a new forest of a million ha could sequester 30 million tonnes a year - enough to reduce New Zealand's present gross emissions from 77 million to 47 million tonnes a year - for around 15 years.

In the Bay of Plenty alone, the Regional Council has estimated that there are approx. 156,000 ha of grass land that is suitable for forestry¹.

¹ Toi Moana Growth Study. Report by Martin Jenkins for MBIE & MPI, April, 2015.

Nationally, we have nearly a million hectares of under-utilized and erosion prone land suitable for forestry; and new planting therefore has the capacity to *achieve an emissions target of 20% below 1990 gross emissions by 2030, if New Zealand chooses.*²

Increased forestry will deliver co-benefits to society

For New Zealand, the co-benefits of increased forestry include:

- a) Improved water quality from reduction of sedimentation in waterways;
- b) Improved biodiversity and a reduced environmental footprint;
- c) Increased economic diversification and resilience;
- d) Regional development and jobs;
- e) Iwi land development consistent with cultural aspirations;
- f) Construction materials that are energy efficient and earthquake tolerant; and
- g) Bioenergy and energy security.

Conversion of pasture land to trees has the double benefit of both reducing methane emissions from livestock and sequestering carbon.

Agricultural sector and the ETS

FWAG submits that:

- **The agriculture sector be brought into the ETS in a manner that:**
 - **Encourages the sector to implement existing available improved farming measures to reduce animal emissions to the atmosphere, and the rapid uptake of new solutions arising from the significant science investment in reduction of GHG**
 - **Removes the distortion in agricultural land values arising from protecting that land use from its liability for emissions**

FWAG considers that the relative impact of other sectors in the ETS, including energy-intensive and trade-exposed industries is adversely impacted by the subsidization of agriculture by its exclusion from the ETS.

The price of land for agriculture use is artificially inflated by the sector's protection from ETS obligations. This situation mitigates against rational land use decisions, including conversion of some pasture land to trees on comparative economic grounds, with the double benefit of both reducing methane emissions from livestock and sequestering carbon as noted above.

² 1990 gross emissions 60 mt CO2 equivalent; 20% below 1990 levels, 48 mt CO2 equivalent.



FOREST & WOOD ACTION GROUP MEMBERS	
Member	Organisation
Bryce Heard (Chairman)	Forest Industry Consultant (Formerly CE, Lockwood Industries)
John Lemm	MD, Intalok Industries
David Turner	MD, Sequal Lumber
Doug Gaunt	Scion Research
Mike King	MD, Interpine
John Galbraith	Forest Industry Consultant
Mike King	MD, Interpine
Frances Pauwels Mark Smith	Grow Rotorua
Brian Stanley	Chair, Wood Processors and Manufacturers Association NZ
Tim Rigter	GM, Red Stag Timber
Murray Parrish Phillip Millichamp	Carter Holt Harvey
Dawn Paewhenua	CNI Iwi Holdings Ltd
Peter Clark	CE, PF Olsen Ltd
Glenn Sutton	Kawerau District council
Cheryl MacGregor	BOP Regional Council
Mark Whitworth	Port of Tauranga
Linton Winder	Waiariki School of Forestry & Primary Industries
Andy Dick	Toitu te Waonui
John Reid	CHH Pulp & Paper
Jacky James	Shine PR
Hugh Douglas	DezineNZ
Jacob Kajavala	MD, Kajavala Forestry Ltd
Ann Nicholas	Sigma Consulting
Roger Willard	APR Consulting
Owen Griffith	Timberlab
Dennis Nielson	DANA Limited

