

From: [REDACTED]
To: [NZETS Review](#)
Cc: [REDACTED]
Subject: 00130 Forestry Technical note - submission
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Attachments: [image001.png](#)
[RE ETS Review - submission on HWP.msg](#)

To Ministry of Environment

Thanks for the acceptance of this late submission today – as per agreed by [REDACTED] in the email attached.

This submission is made on behalf:

Gibbons Forestry Limited
P O Box 7004
Nelson.

Gibbons Forestry currently owns and manages 2300 ha of Radiata and Douglas fir forests in the Nelson Tasman region.

Summary

1. Carbon prices influence the decisions around afforestation and deforestation, not the ETS rules. If prices are high, we as a company are motivated to plant more forestry.
2. Changes to the rules that reduce our Forest liabilities at harvest will make the ETS more attractive to us and other forestry companies.
3. Averaging could be introduced as an option for smaller forests – this would encourage more involvement in the ETS scheme from the smaller forest owners. Less than 100 ha should be given the average option.
4. Harvested wood products should be introduced to the forestry sector of the ETS as soon as possible. The amount of liability to the forest sector at harvest time much be reduced and more easily managed – the current level of harvest liability doesn't reflect the real carbon position.
5. HWP rules should be kept simple, look up tables for carbon retention levels and minimise the compliance costs where at all possible

Submissions on Proposals:

F5. Does the NZ ETS provide effective incentives for smaller foresters to participate in the scheme? If not, what settings do you think would?

The involvement of smaller forests is reflected in the price. If high, smaller forests engaged – when they dropped – smaller forests exited.

The liabilities on smaller forests is harder to manage – as they generally logging one stand at a time and cannot spread liabilities over time. If the forestry sector was recognised correctly for its actual carbon liabilities – like Harvest wood products, then this would assist smaller forest

owners in managing their harvest liabilities over time. And it would encourage more forest owners (small and large) to get involved with the scheme.

F6. What changes could be made to NZ ETS forestry sector provisions to improve the scheme?

Find new tools and methods to assess Forest carbon stocks in the field. When prices low – carbon measurement compliance cost was very costly. Increase efficiency and reduce costs of carbon measurement with technology should be accepted or researched. Eg LiDAR for FMA purposes, multispectral mapping tools for species identification.

Update the default look up tables – we understand they were last updated in 2011.

More efficient processing of applications – does the MPI need more resources to handle this?

Future forestry accounting in the NZ ETS

F7. What are important factors when considering changes to forestry accounting settings in the NZ ETS?

Keep aligned with international accounting approaches. (including NZ's international reporting approach, such as the HWP rules)

Ensure the rules are valid over time, to avoid sudden shifts in regulations that may have impact on or change our future liabilities.

Equity between sectors is very important. This has not been followed to date (eg) 1 for 2 obligations which doesn't apply to forestry but did to other emitters. The free allocation to other sectors just seems so wrong when the liabilities to forestry are so high at harvest. Industries that are receiving free allocation credits should be made to do something to reduce emissions, they should not be able to have this free ride, when forestry is complying with the ETS and paying back large liabilities that are not true reflection of actual carbon loss.

F8. Do you think a different forestry accounting approach in the NZ ETS would change the scheme's incentives for afforestation?

By introducing Harvested wood products this would incentivise afforestation. Introducing averaging as an option may increase afforestation by attracting the smaller forest holdings.

Averaging

F9. Do you think averaging should be introduced for post-1989 forests? If so, why?

It could be introduced and should be optional.

Averaging is attractive to some forest owners as it removes the carbon liability risk at harvest time, this for smaller forest owners is a positive and could well encourage afforestation and/or more ETS sign up from owners of existing forests.

The negative side of averaging is that it provides no incentives for permanent forestry or other forest options (continuous canopy management) that minimises carbon losses for example.

Changing a forest to a non-harvest management regime has no advantages under averaging, all the benefits are in the first rotation and are limited or nothing for the second rotation. It is less attractive for parties buying into a second rotation forest as well on the averaging accounting system.

F10. Should there be limits on the types of forests that can use an averaging accounting method? For example, new forests only or forests under a size threshold.

We suggest a limit of 100 ha or smaller would be best option.

F11. How might averaging impact on your business decisions?

Gibbons Forestry would not use Averaging as it reduces our long term carbon gains and options to manage our Carbon estate

Harvested Wood Products

F12. Do you think deferred liability for emissions from Harvested Wood Products (HWPs) should be recognised domestically? If so, how

Absolutely Yes. Harvest wood products are used to calculate New Zealand's emissions and removals internationally and they should be applied domestically to forest participants in the ETS.

It is unfair of current forestry sector to have such a high liability at harvest time, the carbon is not lost – it is being transferred to other long term shelf life products.

Harvested wood products should be recognised using a national average use methodology applied to all post 89 forests irrespective of actual final use. This would ensure the approach is accurate, consistent and transparent.

HWP accounting could be simply introduced to the Emission Trading scheme for forestry by updating second rotation look up tables. This would apply to both the default tables and the ETS participant specific look up tables based on the actual FMA (field measurement approach)

F13. How might the options for deferred liability for emissions from HWPs impact on your business decisions?

Harvested wood product rules would in our opinion increase the value of carbon in forestry sector. We believe it would increase afforestation rates, companies would commit to re-planting of second rotation forests and it would encourage forest owners to engage in the ETS. It would incentivise Gibbons Forestry to plant more forests as we feel our industry is being recognised for its true value of carbon sequestration.

HWP should be introduced as soon as possible to help forest owners make good decisions prior to harvesting of the post 89 forests. This has started and coming up is the large volumes of 1990 plantings coming on stream.

Thanks for the opportunity to comment on this review.

Regards

Kent



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