

F1. What do you consider are the strengths and weaknesses of the NZ ETS forestry settings?

The main weakness of the ETS is the lack of agricultural involvement. The questions below relate to discouraging deforestation and encouraging afforestation - where are the incentives for agriculture to change their operations?? The ETS is being tailored to penalise anyone emitting and deforesting but this only accounts for 50% of our total emissions - where is the logic in that?? I fully understand the difficulty the ag sector faces in reducing their emissions but stopping the animals farting so much is not the only way they can reduce emissions. Even bringing them in to be liable for a small percentage of their emissions is worthwhile. A) it is incentive for THEM to plant trees and cover some of their own liability and B) it could even just be used to put some money in the kitty to go towards Afforestation schemes throughout the country ie. more money into the current AGS scheme. One thing you can be 100% sure of is that not bringing the sector in and reassuring them you won't be is absolutely zero incentive for the sector to make any changes.

F2. Do the NZ ETS forestry settings discourage deforestation? If not, what settings do you think would? Yes

F2A. Please explain your answer

At present they discourage some deforestation as the carbon price has climbed to a level where it is not "inexpensive" to deforest. Previously, when an overseas unit could be surrendered and deforestation cost you less than \$150/ha it had no effect on people's decision making. At \$13 when it costs you \$6000-\$7000 per hectare to undertake deforestation of mature trees people more people view it as a significant cost (still not all participants mind you).

F3. Do the NZ ETS settings incentivise afforestation and replanting? If not what settings do you think would? No

F3A. Please explain your answer

Until forest owners can sell some of their carbon credits without a significant element of risk then it is not really an incentive for afforestation. If the likes of averaging or recognition of harvested wood products is brought into the scheme then people can see the financial benefit of registering their forest in the scheme. At present, many post89 forest owners have to hand back 100% of the credits claimed at harvest. With the uncertainty around the future of the ETS and the rules and regulations that go with it many people (particular reference to small to medium woodlot owners of a single age class) deem the risk around carbon price to be too great to warrant selling any units. Unless you have a reasonable sized estate of varying age classes you cannot minimise the price risk at present.

F4. Does the NZ ETS provide effective incentives for smaller foresters to participate in the scheme? If not, what settings do you think would? No

F4A: Please explain your answer

The current ETS is not tailored for small foresters. As stated in the answer above many seek to gain no benefit out of the scheme at present. In fact, it has cost many of them in the long run as they registered in the ETS when people first had faith in the scheme when it began. Since then, few small scale forest owners have sold units (unit price risk too great) but they have incurred the initial cost of becoming registered and submitting returns with no financial return back from the scheme. The only incentive for registration was the loophole whereby they could surrender a cheap overseas unit in lieu of an NZU - several Participants opted to exploit this loophole and exit the scheme with something for their trouble in the form of credits they can sell liability free.

F5. Does the NZ ETS work well alongside other forestry programmes? If not, how do you think these programmes could be better aligned?

F5A. Please explain your answer

F6. What changes could be made to NZ ETS forestry sector provisions to improve the scheme? Averaging, recognition of the carbon retained in harvested wood products are all tailored to benefitting forestry participants, particularly the small scale owners. Eliminating the price cap on the market is also of benefit to forest growers.

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

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

F8A: Please explain your answer

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

F9A: Please explain your answer

I think it could be an option. Obviously a system like averaging is not going to be the preference of every forestry Participant in the ETS. The small scale foresters are likely to be the ones who would utilise this option. It allows them to benefit financially and is an incentive for more small forest owners to become Participants in the scheme. Less risk around carbon price and a tangible financial gain for their efforts.

F9B: Do you think it should be optional or mandatory?

Optional. It is not suited to everyone. For example, land that is in a Joint Venture agreement -if the agreement is for 1 rotation only and the landowner wants to retain some freedom around land use then this is probably not an option they would use. In these instances they may prefer the Harvested Wood recognition option as oppose to locking the land into forestry for another rotation.

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. No

F10A: Please explain your answer

Every forest owner had different objectives. The likes of someone who has planted a forest purely for carbon sequestration is not likely going to want to go with this approach. But your average farm forester with a block planted in a steep gully and no other forestry is probably more likely to utilise the averaging approach. Limits on size or types of forestry will just be a disincentive for people to register Post89 forest in the ETS if they cant make their own accounting decisions.

F11. How might averaging impact on your business decisions?

It could be a good incentive for afforestation. If people are establishing new areas of forestry and they know that after a certain number of years they are going to be given some credits that they can sell and not have to worry about paying back, the cost of establishing said forest becomes less of a deal breaker as the cost doesn't have to be carried for so many years. Likewise they might put the credits towards establishing another virgin planting.

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

F12A: Please explain your answer

Probably would have to use some sort of default look up table system to keep it simplified. For example, after harvest the participant would know what percentage of the volume has gone for firewood, export raw logs, domestic sawmills, domestic chip plants.

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

F14. Do you have any other comments or things you think are important?

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