

# Submission on NZ ETS Review Consultation

Submission by: Matariki Forests

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By email : nzetsreview@mfe.govt.nz

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## 1. The Submitter

Matariki Forests (Matariki) is a joint venture formed in 2005 owned by Rayonier Inc. (77%), and Phaunos Timber Fund Limited (23%).

Matariki is currently the 3<sup>rd</sup> largest forest owner in New Zealand and is managed by Rayonier New Zealand Ltd (RNZ), a 100% owned subsidiary of Rayonier Inc, which has been a substantial forest owner in New Zealand since 1992.

Matariki owns c. 125,000 hectares of commercial forest through a number of different forms of land tenure across a number of different regions in New Zealand. Its manager, RNZ directly employs over 90 permanent staff and indirectly employs over 800 contractors to undertake silviculture, forest engineering, harvesting and log cartage operations across New Zealand.

Matariki has approximately 8,200 ha of post 1989 forest.

## 2. Existing Structural Design Setting

F6-8.

The structure, and investor confidence in the ETS as a whole has been significantly undermined through the following key elements;

- Exclusion of agriculture
- “1 for 2” surrender obligations for emitters
- Acceptance of international units of dubious quality
- Unilateral changing of rules

To rebuild credibility the government must:

1. Include surrender obligations for biological emissions from agriculture at some level; the argument that there are no viable and practical technologies currently available is a fallacy – farmers given the nature of their business have land; they can plant trees. Practical technologies exist to improve soil organic matter.
2. Cease “1 for 2” surrender obligations for emitters
3. Continue the restrictions on use of international units in meeting domestic emission obligations. Acceptance of international units has completely

undermined the NZ ETS. Irrespective of levels of afforestation that may occur if more favourable and stable policy settings are applied, to meet the forecast requirements of 250 mT of abatement required by 2030 will require NZ to purchase overseas units. Rather than allowing arbitrage by individuals or businesses (as occurred during the period 2011-13), and undermining the domestic scheme again, the purchase and surrender of these units should only be undertaken by the government; this ensuring that both the risks and benefits of arbitrage is nationalised, rather than accruing to individuals or businesses.

4. Governments must avoid changing the ETS rules in a unilateral manner as happened in May 2014. Investor confidence in the ETS has been seriously eroded and is still recovering.

### **3. Averaging**

F9 -11

The concept of averaging should be introduced for post 1989 forests, and should be optional. No advantages / disadvantages are identified with the application of a size threshold.

Application of the concept of averaging would result in an increase in the level of the unencumbered NZUs available to the forest owner to be sold, would increase market supply and liquidity, improve the financial returns from forestry and thus incentivise further forest investment.

### **4. Harvested Wood Products**

F12-13.

Deferred liability from Harvested Wood Products should be recognised domestically primarily through devolution to the forest owner. Administrative complexity should be minimised through application of a national average decay curve, applied to second rotation estimates of forest yields at a per hectare level.

Amending the liability for Harvested Wood Products would result in an increase in the level of the unencumbered NZUs available to the forest owner to be sold, would increase market supply and liquidity, improve the financial returns from forestry and thus incentivise further forest investment.

### **5. Contact**

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