

## NZ ETS REVIEW CONSULTATION

SUBMISSION from

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Note; This submission relates particularly to forestry questions, and most of the supporting points are taken from Prof. Manley's Afforestation Responses to Carbon Price Changes and market Certainties.

Carbon prices aside, the carbon market has been running well and my experience of the process of surrendering and being allocated units is that it is an efficient way of trading NZUs. **The point I wish to make in this submission is that carbon prices need to be somewhere above \$20 in order to stimulate enough plantation planting that New Zealand can meet its obligations.**

The only feasible way to achieve the three long term outcomes laid out in The New Zealand Emissions Trading Scheme Evaluation 2016 is to re-establish significant plantation planting in New Zealand.

There are over two million Hectares in New Zealand with a land cost of \$5000 or less. Recent acquisitions of land for afforestation indicate the need for carbon prices in excess of \$15 to \$20/unit in order for the purchase of land to be affordable. And conversely the 2015 Deforestation Intentions Survey showed that conversion of land from forestry would effectively stop at \$20/NZU. Measures must be put in place to stimulate the Carbon price back to \$20/unit as soon as possible, in order to encourage planting, which is the only feasible way we can meet our global promises.

The NZIER final report points out that “Overall macroeconomic impacts from removing the transition measures are relatively modest”. Therefore there is little need to soften the impact or prolong implementation.

Prof Manley noted that there may be a 5 year transition period before planting is back at high levels, which would indicate that it needs to be initiated as soon as possible and be as bold as possible. “The market is overhung by the 140 million NZUs that have been issued and not surrendered to date”. This also indicates that the market response to price positive stimuli will be slow and therefore the changes need to be bold.

Prof Manley’s forecast has limited afforestation beneath a carbon price of \$15/NZU but \$13,900 at \$15/unit. This is still inadequate given the potential land available and the size of the response required for New Zealand to meet its obligations so the price needs to be closer to \$50/NZU with plantings of 50,500H per year.

There is a very strong correlation between carbon price and afforestation/deforestation. The introduction of a stable and high carbon price would be the best available way to encourage plantation planting.