

# Submission Form

## Contact information

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## NZ ETS review: Forestry technical note

The following questions relate to information presented in the Forestry technical note.

### Existing structural design settings

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

**The strength was that the ETS potentially provided income for eco services and therefore cashflow prior to clearfell. This made marginal forest investment attractive and supported in many cases good land use. Land that was otherwise in pasture or non-vegetation that would benefit from vegetation.**

**The weakness of the ETS is that all these credits need to be repaid when the forest is cut down. Although it appeared from the first few years there was a huge benefit to being in the ETS, the reality is at the end of the day, unless it's Maori land which is unlikely to change hands, when the land title changes hands, the carbon obligation comes across. This is a huge discouragement.**

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

**Yes - Absolutely .**

**Given the previous comment, there is land that will not go back into trees, or will be sub-managed as opposed to how it could be properly managed.**

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F3. Do the NZ ETS settings incentivise afforestation and replanting? If not what settings do you think would?

**Definitely not, and the way the Government played with the ETS has led to a distrust of Government policy in the future.**

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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 it does not.**

**Again, something needs to be done that would allow credits to be allocated that never need to be repaid to provide any incentive at all. The disincentive of course is that once you are in to a system requiring Government defined administration you open yourself up for costs which have become very real for some participants.**

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

**Yes - Previous comments aside, it works very well alongside the East Coast Afforestation Programme. It works reasonably well alongside Regional Council schemes that provide subsidies for change of land use or provision of eco services.**

**And No - It does not work well with the AGS. The AGS, although described as a funding scheme, is in fact a carbon contract by taking away the first ten years of carbon. The Crown should come clean on this and just say that that is what it is, or allow forest owners the money from the AGS and to be able to use their carbon accordingly.**

**As previously stated, outside of Maoridom, because of the requirement to hand these credits back at some stage either at clearfell and or land transfer, it is only semi-attractive for land that will never change hands, i.e. Maoridom or perhaps Crown land.**

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

**Provide a major percentage of credits that never need to be handed back by way of an amnesty after 50 years if the land stays in forest use or averaging.**

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## **Future forestry accounting in the NZ ETS**

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

### **Remove or minimise obligations**

**If credits do not need to be handed back in part or full then this would provide forest growers (irrespective of species so long as they are eligible) to generate carbon to sell that to cover the costs on their land and provide a return.**

**It is yet to be determined what averaging looks like, but it could be half the carbon sequestered for the forest during the life of the rotation that doesn't need to be paid back as long as the land stays**

in trees, or as long as the land stays in two rotations of trees, which sets a limit on it further out but provides the ability for new planting to generate the carbon required to win for everybody.

50 years would be a good period to wipe the obligations as by then the land has been in at least two rotations or is well established in an indigenous reversion.

50 years from now if Government policy and community interaction have worked there will be reduced emissions and hence no need to have an obligation on this land to stay in trees. The net result of that of course is that we end up with best land use for that time.

### **Confirmation from the Crown that they will not affect land owner rights for Post 1989 forest lands.**

Much of the pre-1990 forest that was deforested and the current multi-billion dollar obligation placed on pre-1990 forest landowners is absurd. There is concern that the Crown may do a similar thing for post-1989 forest owners given their proven track record in this space.

### **Averaging**

If bringing in averaging, it would be really good to have that brought in by the end of 2017 or at least articulate how averaging is going to work. The reason for this is that multiple forest owners are currently looking to make a decision around whether they carry out their FMA measurement requirements in 2017 to comply with the CP2 mandatory emission return requirements.

Many at this stage will be (a) cutting their forest down or hope to and (b) can't sell their credits without a future obligation being incurred and (c) are still smarting from previous Government decisions. If they understand what is coming through from averaging and if they are able to take advantage of that, then most if not all would stay in the ETS and continue with their measurement programme. If not, then logic would suggest they are better to leave the scheme and avoid what in many cases is quite a high cost to do their FMA measurement and plus exposure to compliance requirements that comes with that.

Averaging should be made available to all forest owners, not cut off at 100 or 50 ha, but all forest owners irrespective of size. The pluses and minuses of this would be far outweighed by the traction that planting vegetation on the right land would create.

### **Harvested Wood Products**

Another change would be harvested wood products. Carbon locked up in harvested wood products is real and this should be factored in and applied to forest owners who are creating this lock up. It should only be available at clearfell – the suggested point the harvested product is likely to be created, as opposed to making it available for a forest that may never be cut down.

Another option would be to allow a forest owner instead of taking AGS monies to borrow against future units to establish a forest.

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

**Averaging is part of this, but it should be optional whether someone chooses averaging or the current approach. The current approach allows indigenous land to continue to sequester ....**

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## Averaging

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

**See above comments.**

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Do you think it should be optional or mandatory?

**It should be optional.**

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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.

See above comments.

Yes

No

Unsure

Please explain your answer – **NO all forests should be able to take advantage OF THE OPTION.**

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F11. How might averaging impact on your business decisions?

**Averaging would provide the option for unobligated carbon or limited obligation carbon which would allow establishment of forests and units to be sold to allow better rates of return.**

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## Harvested Wood Products

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

See above comments.

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

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## Other

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

Credibility around using international units should be well and truly founded.

If talking about a percentage of international units coming in, it should be a **percentage of units that would be required to be purchased, not a percentage of total** – please sell that story accurately. By saying that we are going to be 10, 20 or 30 percent, most people would think that that is a percentage of the number of units that as a forestry participant they might be selling into as opposed to a total requirement as what's been modelled. So please be very clear when articulating percentages of acquisition, what that actually means to avoid another round of misinterpretation between the Crown and forestry participants.

Alignment with international schemes – I think it's important that NZ aligns with other schemes but I think equally the public of NZ and forestry participants are well aware that this is a domestic scheme. The NZ domestic ETS is about changing people's behaviour to reduce emissions (atleast that is public perception) as opposed to 'least cost abatement' - to reduce emissions over time. So, the Crown can do anything it likes in the NZ domestic ETS and we encourage you to look at what and will affect land use. There is up to 2 million Ha currently in NZ that would be better in vegetation . The right species in the right place would go a long way towards reducing NZ's emission profile, improving current land use options and building the nations long term wealth and a well-planned domestic ETS could easily achieve this.

**Finally it is important that there should be comments sooner rather than later around what can happen, by when, why and by whom. Well before the end of 2017 so that participants can make a decision on their involvement. Preferably by December this year (2016), again, so participants can make a call on whether they proceed with an FMA measurement programme or not.**

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[NB: Separate consultation form]

## NZ ETS review: Operational matters technical note

The following questions relate to information presented in the Operational Matters Technical Note, which can be found here.

### Encouraging compliance with NZ ETS requirements

OM1. Do you encounter challenges when completing New Zealand Emissions Trading Scheme (NZ ETS) requirements, such as meeting your emissions reporting or surrender requirements?

Yes

No

Unsure

What are these?

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What would overcome these challenges?

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OM2. What is your opinion of the tools available to regulators to correct errors and address non-compliance?

**They are too tight - there only seems to be a hammer as opposed to the ability to softly softly remedy a genuine mistake.**

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What would help improve these tools? Happy to discuss directly.

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OM3. Are there options, not already included here, for improving compliance with emissions reporting and surrenders?

Yes

No

Unsure

What are they?

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### Disclosure of NZ ETS information

OM4. Does the current level of information available allow you to make informed decisions about your participation in the NZ ETS?

Yes

No

Unsure

If not, please give examples of information you think would be useful, and how it would help you.

**NO – there are too many important potential changes in the wings - advisement of the intended direction this calendar year would be fantastic.**

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OM5. Are there any additional forms of information that would assist with your understanding of, or participation in, the market?

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### Transfer of participation for post-1989 forestry

OM6. Have you undertaken, or expect to undertake in the future, an NZ ETS transfer process?

Yes

No

Unsure

If so, how well do you understand the transfer provisions?

**Many on behalf of our clients**

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OM7. Have you encountered issues with NZ ETS land transfer requirements?

Yes

No

Unsure

If so, what issues did you have? **Absolutely but generally by people (including legal) attempting to do it themselves in an uninformed way.**

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OM8. Do you think the NZ ETS transfer requirements should be changed or simplified?

Yes

No

Unsure

If so, how? **Current stuff OK but more onus on legal to get it right**

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### **Tree weed exemption provisions under the Climate Change Response Act 2002**

OM9. Have you encountered any problems with the tree weed exemption process?

Yes

No

Unsure

Please explain your answer?

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OM 10. Have you encountered issues in complying with the conditions of a tree weed exemption?

Yes

No

Unsure

Please explain your answer?

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OM 11. Do you think the tree weed exemption provisions could be improved?

Yes

No

Unsure

If so, how? **Not sure re this – if not already in place allow Tree weeds to become forest by way of a suitable management plan/document.**

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## The public's limited access to information about the NZ ETS status of land

OM12. What information on land status under the NZ ETS would be useful for your decision making?

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OM13. Have you faced any problems in classifying forest land under the NZ ETS or in accessing information on forest land's NZ ETS status?

Yes

No

Unsure

Please explain your answer? **Absolutely – there needs to be two forms of register on title to separate Pre 1990 forest land from an ETS registration of Post 89 land.**

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OM 14. Do you think the Government should provide information on the NZ ETS status of land that is not already subject to the NZ ETS?

Yes

No

Unsure

If so, how would this help you? **It would be helpful but on a limited basis perhaps via entities (qualified consultants, regional and district councils et al....registered to get info so it was not misinterpreted or mis understood.**

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## When your submission is complete

Email your completed submission to [nzetsreview@mfe.govt.nz](mailto:nzetsreview@mfe.govt.nz) or post to NZ ETS Review Consultation, Ministry for the Environment, PO Box 10362, Wellington 6143.

**Submissions on priority issues closed at 5pm on 19 February 2016**

**Submissions on other review matters close at 5pm on 30 April 2016.**