

The Cost of doing Nothing!

ETS dates loom for Deforested Land and small forest owners
– Don't get caught in jail!



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At the risk of sounding repetitive 'Pre-1990 forestry land' owners are captured by the legislation whether they seek compensatory credits or not, and that extends over pines, willows, poplars, woodlots, homestead plantings – in fact anything that meets the MAF definition of an exotic forest of one Ha in size or more, wider than 30m on average and capable for reaching more than 5m in height and 30% canopy cover.

That definition captures most hill country planting in NZ, the majority of botanical gardens and probably a large percentage of golf courses.

If 2.0 Ha or more of those Pre 1990 trees come down, are not replanted and the land use changes some time in the future (in fact since 1st Jan 2008) then the landowner will have to pay a deforestation liability. For a 30 year old stand of pine trees it will mean obtaining somewhere between 572 and 866 NZ (carbon) Units per hectare (depending on your location in NZ) and surrendering them to the crown.

If we exclude Canterbury the average is close to 800 NZU/Ha.

If for some reason this is not done voluntarily, the default will be discovered by MAF and the units will need to be surrendered plus a "not surrendered on time" fine of \$30 per unit could be added to the bill.

Let's do the maths....

800 NZU (to be purchased and surrendered) X \$20(purchase) + \$30 (Fine)
= 800 NZU X \$50 = \$40,000/Ha

A potential cost of more than \$40,000/Ha dependant on the cost of Carbon credits at the time.

Land owners in NZ sometimes like to believe we are masters of our own destiny and if you have created a Deforestation Liability and are happy to journey the consequence/ pay the fine... well that is your democratic right...."Bless you my son – I truly hope you know what you are doing!"

If you have bought land since the 1st January 2008 and there has been forest removed prior to you buying it and till now you did not realise a liability might exist – find out. You have less than three weeks to apply for an exemption to hopefully avoid the CONSEQUENCES!

The majority of land transactions in NZ have at least two lawyers and usually an accountant involved yet we are seeing some horrendous 'deforestation exposures' transferring to new land buyers unaware that some time in the future they will be on first name basis with MAF Compliance.

Whilst co-presenting a recent 'Road Show' around NZ presenting to Professional Trustees in an attempt to get the message across we literally saw the blood drain from some faces as people realised the deforestation liability they had created/inherited from purchasing deforested land.

It is easy for the Crown to audit – all they will do is lay two aerial photos of different dates over each other, apply an algorithm to it saying “show the difference” and up will come all land that has different vegetation cover including the land owners name.

It's not the role of MAF to follow up every eligible landowner.

MAF claims to have received (Pre 1990) applications for 60% of the known planted area but only 27% of known forest owners, applications are skewed towards large plantation owners. To be fair MAF has been putting out the message for some time to get engaged with the ETS. Yet for a long time media was used by people with ‘other’ agenda to promote ill-informed or myopic commentary, such that many land owners have not engaged or think they will wait until later.

Woodnet believe the logic is simple. Ask the question - “what is my best land use?”

If it is in growing vegetation vs. trying to farm, then claim the compensation (or Post 1989 annual) credits ... if however the Pre 1990 trees were planted on land that now has a better use or has been DEFORESTED SINCE 1st January 2008, then CLAIM THE EXEMPTION that will allow you to avoid the inevitable penalty.

So to recap ...

If you are a Pre 1990 forest landowner you have effectively been in jail since the legislation was passed. You can get out of jail by:

- Claiming an exemption that allows you to deforest (if Pre 1990 area owned was less than 50 Ha by the land owner on the on 1st September 2007).
- Or**
- You can buy your way out of jail by purchasing the required number of credits and surrendering them if you have or want to deforest.
- Or**
- You can apply and take advantage of the up to 55 million NZU's valued at \$1,100,000,000 tax free (@\$20/NZU) available until November this year.

The compensation may look huge but remember no one is doing you any favours here. You can get 60 or 39 NZU/Ha as compensation depending on when the land last changed hands but you could be taxed 800 NZU+/Ha plus the \$30/unit fine if you are found in the future to have deforested illegally.

Note	Important Dates
Entity to get the Pre 1990 allocation of compensation credits	Landowner on 20 th July 2010
Land ownership to gain 60 NZU/ha	31 st October 2002 or before
Land ownership to gain 39 NZU/ha	1 st November 2002 to 20 th July 2010
Exemption to deforest land	Applications close 30 th September 2011
Allocation (of credits) for Pre 1990 forest	Completed Applications at MAF by 30 th November 2011
Post 1989 ETSA registration	Applications must be <u>Approved</u> by MAF by the 31 st December 2012