

woodnet



May 2012 Newsletter

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MAF still Accepting Pre-1990 Applications...

Following on from the mad rush leading up to the 30th November 2011 deadline, you may be surprised to hear that MAF are still accepting pre-1990 Forest Allocation Plan applications via their online registration website. If you believe you have forest that may be classed as pre-1990 and thought you had missed out on the compensation credits, please contact us as you may still be in with a chance to claim your no-obligation credits.

Pre-1990 Consultation Submission...

We at Woodnet believe we are well qualified to comment. We have registered in excess of 300 FAPs for different clients around NZ with a second tranche allocation in excess of 300,000 NZU. All of these clients have experienced a decline in their land value of up to \$2,000 per ha. We have two who would possibly look at offsetting, however the remaining (99.5%) would miss out altogether if the Government was to remove the second tranche of the allocation as suggested in the current ETS review.

Although the submission close off date was Friday 11th May, if you want to make a submission feel free to go to <http://www.woodnet.co.nz> and tweak the one you find there and post/email it in.

Neighbours/Family Not Yet Registered...

It is a well-known fact that the majority of post-1989 forest is held by small forest owners. If you have already registered your post-1989 forest into the ETS, then congratulations as you have now given yourself options for the future. There are many landowners however that have not yet registered, either because they don't really understand the ETS, don't realise their forest is eligible, or it's simply "too hard". If you have friends, neighbours, or family who are in this position, then please encourage them to give us a call so they can at the very least make an informed decision about whether or not to register their forest into the ETS. The facts are:

- *It is here to stay.*
- *The ETS will affect you or someone you know.*
- *80% of eligible land owners who could register and benefit have not yet done so.*
- ***They can register any time but if not registered before the end of this year will miss out on their 2008 to 2012 allocation of credits. These will revert to the Crown.***
- *The 'NO RISK' option is to register, claim the credits and bank them – that way all you have all the options covered going forward.*

NZEUR Password (Timely Management & New Process)...

You are probably aware that NZ carbon credits are held in your account with the NZ Emission Unit Registry. You can access this account online to check your unit balance and to transfer units when you buy/sell. A user name and password is required. Periodically you will receive an email from NZEUR to update your password. If you ignore this email it will create problems when you want to buy or sell carbon credits. **It is important that you keep your username and password in a safe place.** When transferring credits, the EPA now have a new process whereby they send an email containing a "transaction authorisation code" which must be entered along with your password when authorising a transaction. Our administration staff are experienced with this and can guide you through the process if required.

Field Measurement Approach (FMA)...

Participants who have registered areas of 100 ha or more of post-1989 forest must use forest yield (volume) information derived from the forest measurement when submitting their emissions return. This involves sample plots within your forest being physically measured to obtain the level of carbon the forest is actually sequestering. There are many factors to consider when collecting this information. Woodnet has specialist knowledge in this area and Colin and his team have already completed the required measurements for many of our clients. **The FMA information must be collected by 31st December 2012.**



Elaine, Wendy, Margaret and Stephanie (just before Lisa joined us) Enjoying the Journey (by helicopter)

Carbon Price Influences...

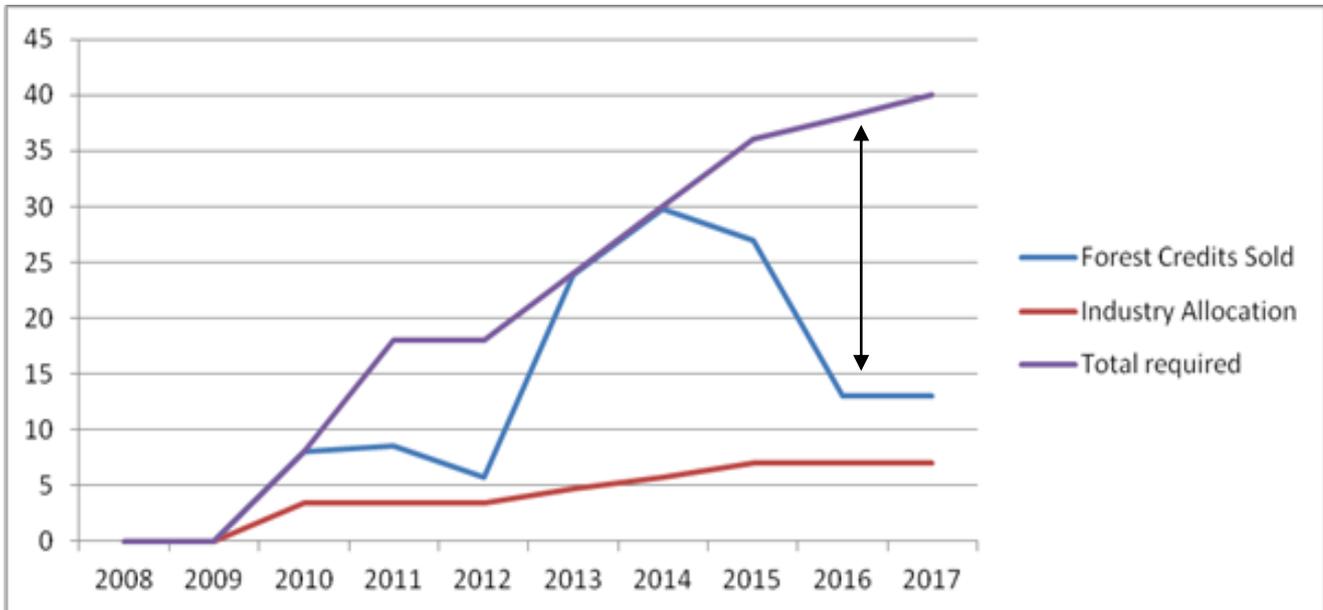
Given the slump in the NZ carbon credit price over the past six months, we have had several clients repurchase credits. However, you may be wondering "will there be a market for my carbon?" The number of units NZ emitters must surrender to the Government as part of their ETS obligations is in fact higher than the number of NZ grown carbon units available. Following basic supply and demand rules, this should see the demand for NZ units increase and therefore the price also increase. **BUT**, currently there is nothing to stop NZ emitters purchasing cheap European credits to satisfy their obligation which has the effect of keeping the NZ unit market soft. Government is currently considering whether to follow the Australian lead in restricting the ability of NZ emitters to buy cheap offshore units. Adoption of a 50% restriction on offshore purchases (as per the Australian scheme recommendation) should have a very positive effect on demand for NZUs and keeping monies collected by emitters at the fuel pump or electricity meter in NZ.

Insurance...

For any prudent forest owner, it's important to consider if insurance is required. If you are registered into the ETS and your forest blows or burns down, you will not only lose the value of the logs but you also have to consider your carbon credit obligations. Woodnet has spent some time researching various forest insurance options and we believe we have found a policy which makes sense and offers good value. Should you want, we can also develop a Fire Plan to lodge with your local fire authority – this could reduce your premium. If you wish to find out more please contact Stuart or Wendy.

What Could CPII Look Like...

The graph below is an attempt to estimate the carbon profile for surrenders in NZ excluding agriculture and assuming that the current review will remove the 'Two for One' surrender amnesty by 2015. The arrow indicates the potential shortfall in credits available from within NZ for expected NZ requirements (excluding agriculture). As more information becomes available we will update this graph. It is expected the shortfall will be filled by a mixture of offshore credits and/or CAP price paid to the Crown.



Want to Know More?

Go to <http://www.woodnet.co.nz> to read Stuart's article re the opportunities for exotic forestry, including carbon.

Client Testimonials..

Over the past 3 years Woodnet has been involved in in excess of 700 ETS related transactions with MPI (formerly MAF) on behalf of clients. You will find some examples of how Woodnet has added value to our clients' farming businesses on our website <http://www.woodnet.co.nz>

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