



Summary of Submission

Climate Change Response (Emissions Trading and Other Matters) Amendment Bill

Ref. ID: P67QEIR

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Woodnet has completed in excess of 700 ETS related registrations and numerous supporting transactions for farmers, forest investors, Maori incorporations, local government bodies and land based trusts. This submission represents the interests of all our clients (ranging from 2 Ha registered by a couple of retired elderly ladies – to in excess of 2,500 Ha of indigenous and exotic forest on marginal country on a large farming property) including the 29 names listed in our submission. As stated in our submission, it would be naive to separate farming and forestry into two separate industries in this space.

The ultimate success of the NZ ETS/emissions reduction programme will rise and fall on landowner engagement and the decisions they make around carbon sequestering or carbon emitting land use.

1. NZ has 26 million Ha of land.
2. 2 million Ha in exotic forest, 580,000 of which is Post 1989 contributing to the carbon credits that are keeping NZ nationally in its carbon surplus situation.
3. MPI advise that 305,000 Ha (53% of known Post 1989 forest) of this have been registered into the ETS. (see *MfE - INFO 662 Published August 2012*)
4. Within a decade the majority of that 580,000 Ha of Post 1989 forest will be felled and with it will go the sequestered credits that allow NZ to be in carbon surplus. Much of this land will not be replanted if it has to stand on long term forest returns alone to justify the reinvestment.
5. Since the ETS was introduced there has been a major rise in landowners investing in forest establishment, based on the perceived advantages the ETS would provide nationally and economically. Going from less than 1,000 Ha annually since the mid 1990s pre ETS to over 13,000 Ha last year.
6. The costs of the ETS to the average NZ'er is \$20-\$25/NZU (paid at the electricity meter or fuel pump - comment based on understanding of Mighty River Power forward contracts for credits and Contact Energy Statement confirming their \$25/NZU charge - 9/9/12).

To date, paying these amounts in repeated small amounts has not been challenged by the general public.

7. The estimated cost of growing a carbon credit is about \$15.00NZD.
8. The amount that an ETS registered forest grower can get for an NZU is \$3.40 (*Westpac Buy price as at 18/9/12*) however they are required to pay in the vicinity of \$25/unit to fuel and power companies.

9. While NZ continues to accept up to 100% of credits from any UN approved projects that lack international acceptance in anything but marginal surrender percentages (apart from NZ), this price can only go down.

10. The injustice and irony of this is obvious to all of our clients.

ETS landowner participants (with exotic and indigenous forest) effectively provide the credits that are accounted for in the national return that allows NZ to boast a carbon surplus.

ETS forest participants incurred costs to enter the ETS in good faith to produce credits that could be purchased in NZ to provide capital to reinvest in more plantings/land retirement options.

Their existing and future forest investment provides jobs and positive inputs to the NZ economy.

Their forests and indigenous lands significantly add to the NZ 100% pure brand.

It is now their bank accounts that are being asked to pay for ETS administration costs that are no longer sustainable on top of the \$25 they are paying at the electricity meter or fuel pump.

11. Since the goal posts moved, new planting has abruptly stopped and ETS participants are starting to withdraw from the ETS scheme to avoid the costs of compliance that come with it.

12. With no new planting and the imminent harvest of existing Post 1989 forest, NZ will move into a serious carbon deficit within a decade (notwithstanding a recent Treasury report that suggests we are already in a carbon negative situation).

13. Well in excess of 53% of Post 1989 forest landowners have registered into the ETS to date. This is an amazing uptake in such a short time.

They analysed the benefits based on the information provided by the Crown and have climbed on the ETS bus.

That bus is no longer going in the direction they were led to believe and other landowners who were looking to come on board are waiting at the bus stop to see what will happen next.

Unless there is an immediate change in ETS policy direction that secures a positive economic outlook for NZ created carbon credits, few, if any people will continue to get on the ETS bus.

Furthermore, existing travellers will climb off and certainly no new planting or land retirement should be budgeted on by those estimating the future NZ carbon surplus/deficit position.

This does not need to happen ...

14. Large areas of land still in marginal farming situations would benefit from being allowed to revert or be planted in forest species.

15. This new land use change would reduce stock emissions through stock reduction numbers.

16. It would improve soil stability, reduce flood run offs and improve the long-term sustainability of the affected individual farming properties and water catchments and long term provide additional forest resource required for the NZ forest industry to reach a sound economic platform.
17. If 20,000 Ha or more can be planted annually it will mean that NZ will remain in surplus re its National Emission Profile (as per 1990 comparison).
18. If additional trees are planted NZ could remain in surplus and move towards actually achieving the 10% to 20% national emission reduction by 2020 and 50% by 2050 targets that appear on various Government websites.
19. Less than 13% of credits surrendered in NZ for the 2011 year were NZ forest generated credits. We predict this will decline as cheaper off shore credits already in emitters accounts are surrendered next year.
20. Access to cheap foreign credits will do nothing to reduce emissions domestically, will not reward those already invested in forest plantings or land reversion, nor will it encourage any new planting.
21. It appears that the costs of the NZ ETS to the average New Zealander is closer to \$25/credit surrendered. We are asking that the producers of good legitimate NZUs, the production of which is and can spawn multiple economic benefits for NZ, be in a position to receive the bulk of the \$25 that is being paid by the consumer.
22. If this does not happen, more NZU producing Post 1989 forest land ETS participants will chose to climb off the bus and those choosing to remain on it seem destined to go over a cliff. A policy change now will be well received – one some time in the future will likely be treated with suspicion and there will be a natural reluctance for landowners to climb on board.

Recommendations:

1. Require NZ emitters to acquire and surrender 50% of their emissions as NZUs, or pay the NZ cap price of \$25 or a combination of both for a minimum of 50% of their emission surrender obligation.
2. Move in time to restrict the type of unit that can be surrendered for the remaining 50% of their surrender to be made up of only unit types that our major trading partners/competitors will accept into their ETS and in similar percentages.
3. Do not allow purchase of units from projects from countries that do not have a functioning ETS.
4. Forest deforestation surrenders to be granted a 2 for 1 amnesty as per the way all other emitters are treated until the 2 for 1 amnesty is lifted on everyone.
5. 2 for 1 surrender obligation to be phased out by the end of 2015.

6. Maintain the cap price of \$25.
7. Introduce offsetting, and that the second tranche of credits still be allocated in full.
8. We see no reason to introduce auctioning under current policy.
9. Retain the requirement to “back” NZUs with a Kyoto unit.
10. Regarding deforestation liability – Retrospectively amend the Act (section 15) to allow MPI, where there is an obvious discrepancy between the actual deforestation volume and the look up tables, to make a qualified assessment as to the amount of carbon units that should be surrendered.

Thank you.