



The Permanent Forest Sink Initiative nine years on

What is the PFSI and what has it achieved?

Stuart Orme

The Permanent Forest Sink Initiative or PFSI forms part of New Zealand's climate change response which was established in 2006. It allowed land owners to make a commitment to establishing long-term forest cover. In return they are entitled to receive carbon units for the value of carbon stored in those forests.

The PFSI was a market-based system to help reduce national greenhouse gas emissions and provide a mechanism for New Zealand forest owners to participate in the carbon market.

At the time there was no intended opportunity for the inclusion of forestry into the Emissions Trading Scheme as back then the government was intending to nationalise the credits. The eventual result was that land and forest owners were able to enter the Emissions Trading Scheme as a carbon sequestering participant.

In the PFSI, land owners enter into a covenant with the Crown which includes restricted harvest and other forest management conditions. The covenant is registered against their land title, and in theory is in perpetuity. However, there is a right to exit at any time after 50 years with surrender of all the emissions units received while in the scheme.

Permanent forest cover, and the higher level of environmental benefit that accompanies it, distinguishes forests in the PFSI from those in the Emissions Trading Scheme. However, this is not reflected in the value of carbon in such forests with both schemes allocating New Zealand units on the same allocation formula.

In my opinion the PFSI provides a good method for signalling to future generations that you wish to lock up your land to provide environmental benefits in the long term. In contrast, the Emissions Trading Scheme provides the ability to provide the same carbon and biodiversity services with the flexibility to leave the scheme and remove the associated obligations at any stage.

What the PFSI has achieved

The PFSI was New Zealand's first market-based solution providing Kyoto emissions units to offset greenhouse gas

emissions, and continues to contribute to New Zealand's overall emissions reduction target. High carbon prices during the first commitment period of 2008 to 2012 resulted in a relatively good level of uptake of the scheme. Markets also acknowledged that permanent forests provide additional environmental benefits, which was reflected in the price premium paid for PFSI-sourced emissions units.

There are currently 70 registered forest sink covenants in the PFSI, with a total forest area of 15,500 hectares. Of this area, 73 percent is indigenous forest, nine percent is Douglas-fir, six per cent is radiata pine and seven per cent is where forests are still being established mainly with indigenous species. Since the scheme began, over 1.8 million tonnes of carbon have been sequestered and stored in permanent forest sinks created under the PFSI.

Who is interested in the scheme?

Since its inception the PFSI has appealed to a variety of interests due to its rather holistic approach to sustainable forest management. For a relatively small scheme it has a diverse community of interest. Forest sinks stretch from the far north to Southland, and as far east as the Chatham Islands. They range in size from the smallest of four hectares to covenants of over 1,000 hectares. Participants include farmers, conservation groups, eco-tourism ventures, commercial investors, farm forestry woodlot owners, local government, and even a private sculpture park. Not surprisingly, given the sustainable management ethos, a number of these are people are also members of the NZFFA.

Interest in the scheme, although initially mainly commercial, has since moved towards more conservation and protection, with the vast majority of forest registered

in recent years being reverting indigenous forest lands. The scheme offers a level of forest protection without compromising sustainable and productive management aspirations. This makes it ideally suited to much of the marginal land across the New Zealand landscape where the current owner wishes its long term use to be secured into a reversion profile.

There remains a great deal of potential for significant tracts of marginal reverting land on the 'management cusp' of retirement. With confidence in the Crown to reward permanent retirement and the benefits it provides there is a possibility that more land will be put into the PFSI compared with the Emissions Trading Scheme where an element of flexibility still makes it the preferred option at present for many.

Government review

The PFSI has been recently reviewed by the government, with a public consultation period ending in mid-August. The government recognised the further potential in the PFSI to achieve climate mitigation objectives, as well as wider environmental and sustainable land management. The review was initiated to support the scheme for the following high-level objectives –

- Increase the area of permanent forest to achieve long-term carbon storage and wider environmental and sustainable land management benefits
- Increase total economic benefits for participants
- Improve the administration of the scheme for participants and government.

Main proposals

Some of the main proposals include –

- Transferring the administration of the scheme into the Climate Change Response Act to sit alongside, but separate from, the Emissions Trading Scheme

currently administered under the Forest Act

- Improving management of liabilities and financial risk from natural disasters
- Enhancing the economic return from the scheme with initiatives such as developing a new web-based traceability platform to link environmental from individual forests to enhance the marketability of permanent forest units.

The Crown has said that the consultation has provided high quality feedback on the proposed changes and they expect the final recommendations to government from the review will be made later this year. Unfortunately the consultation process appeared to focus on operational facets of the PFSI instead of the market potential for its services and greater good provided to the environment.

Should the Crown, after the Paris conference later this year, somehow be able to help negotiate an opportunity for PFSI participants to commercially benefit from the biodiversity and other benefits that the PFSI's long term commitment of land use is able to bring, I believe it would be a game changer. This could be followed quickly by an uptake of many land owners who believe in everything the PFSI instead of once tried to bring. In the market-led economy we have been taught that products and investment follow the market. As land and forest owners we have the ability to generate the products to an auditable standard. But at the end of the day we rely on the Crown to recognise, develop and regulate the appropriate markets.

If you are interested in finding out more about the PFSI scheme or the recent consultation you can check out the information on MPI's website or alternatively you can email pfsi@mpi.govt.nz to register your interest in the scheme and to receive future updates.

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The West Coast conference in April 2016

18 to 21 April

You will have seen from the article which starts on page three of this issue of *Tree Grower* that next year's NZFFA annual conference is being hosted by the West Coast branch. The main dates are 18 to 21 April but there are events on the day before and the day after these dates.

To find out all the details look at the registration

form in this issue of *Tree Grower* and book your space now. Although there is quite some time before the conference starts, it makes the organisers sleep more easily if they know well before Christmas that there is going to be a good attendance. If you leave it to the last minute the accommodation may be limited. 🌲