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NEWSLETTER: 16/12/2014

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Wishing you a happy and relaxing Christmas



The staff at Woodnet – Colin, Stephanie, Margaret, Wendy, Phil, Harriet, Elaine and Stuart - would like to wish all our clients and business associates a happy and relaxing Christmas. We appreciate your business and support. Put a face to the name at <http://woodnet.co.nz/about-woodnet/our-team>

Our office will be closed from 4pm on Friday 19th December and will re-open on Monday 12th January. There will be someone in the office periodically to respond to messages (*if urgent*) when we clear them. We look forward to working with you in 2015.

What a year it has been!

It's interesting how the course of the year can change overnight with the stroke of a pen. We are of course referring to the unexpected Budget Night law change which prevented the surrender Kyoto units when deregistering from the ETS. This put a real dampener on the year and affected many of our clients.

We continue to dispute Government's reasoning for the law change, in particular the fact that those forestry participants who had started the deregistration process by purchasing ERUs were not allowed to complete the process by surrendering those units already purchased.

The Crown has indicated that this affects up to 12 million ERUs in forestry participants' NZEUR accounts, and even though they acknowledge that people were acting in accordance with Minister Bridges' statement that they had until May 2015 to surrender them, they also claim that a Minister cannot be 'fettered' by another Minister's comments and as such it was OK to deny people the right to use these credits for their intended purpose.

On a more positive note the value of NZUs have gone through the \$5 mark twice in the last few months with indications of strengthening into the future.

An extract from interest.co.nz (worth a read):

"It is the third period from 2021 to 2030 that is the critical one. This is the period world leaders are focusing on for global climate action to make a genuine showing and commitments for it are to be set next year.

It is also the decade during which the trees New Zealand relied on to claim forestry credits are scheduled to be cut down.

Including payback for forest credits, New Zealand's emissions for the third period are officially projected to be 55% above even the current target level – an overshoot of 350 million tonnes of carbon dioxide equivalent.

The Treasury warns that carbon prices will be considerably higher during this period, and expects them to be between \$10 and \$165 a tonne. At the midpoint of that range, even a 350 million tonne excess would represent a \$30 billion cost if settled with carbon credits. Result: Visa card payment comes due with major penalty interest - and underlying emissions growth on top of it.

But that's just the picture if New Zealand continues to deliver nothing locally."

Our interaction and lobbying to date has sadly confirmed that many of the Ministers involved in the ETS have a very different view or understanding of forestry involvement in the scheme from that of the participants who entered into the ETS in the last 6 years.

Ministers may be quick to note that they believe there is a good future for forestry in the ETS; however our concern is that landowners may not want to be part of something so exposed to the whim of political expediency and inability to honour their word/stated policy as we have seen this year.

Client survey

Thank you to everyone who completed our recent client survey. We received some positive and constructive feedback. Congratulations to Ed Beetham who was the winner of a day's guided fly fishing with www.wildsidewalks.co.nz.

Have you deforested any pre-1990 trees?



If you have deforested more than 2 ha of pre-1990 forest and do not intend to re-plant (i.e. change the land use to non-forest land), then please let us know **immediately** as there are obligations to inform MPI before the end of March next year and surrender units to the Crown before the end of May 2015.

Land deforested prior to 31st December 2014 will be eligible for the surrender of Kyoto units (ERUs); however as just mentioned, these must be surrendered before the end of May 2015 – you will need to allow for time for officials to process everything before the end of May for the appropriate surrender notice to be issued.

Carbon price update

	Price for you to sell NZU	Price for you to buy NZU	Price for you to sell ERU	Price for you to buy ERU
Broker 1	\$4.80	\$5.20	\$0.00	\$0.16
Broker 2	\$5.00	\$5.60	\$0.05	\$0.09
Broker 3	\$4.70	\$5.30	n/a	n/a

The table above gives an indication of posted prices by various brokers on 15th December 2014. An actual price achieved on that day for the sale of NZUs was \$5.35.

Forestry and log price update



The export log price has climbed back to a reasonable level with improvements in pruned log prices (likely to flow onto the domestic market) not seen previously.

There is still approximately 3.5 million tonnes of logs in the Chinese inventory but we are advised that much of it is 'non radiata' species that are not moving. This suggests that there is less likelihood of an abrupt stop in demand (and price drop) for NZ P.radiata as experienced earlier this year.

Emissions returns for Post-1989 ETS participants

Early in the New Year we will be posting the emissions return information and instruction form to all our clients who still have post-1989 trees registered into the ETS.

If you would like to claim your NZU credits for the year ending 31.12.2014, please complete and return the instruction form to us.

Remember - if you claim your credits, then you have options should there be any further changes to the ETS which may give rise to unforeseen opportunities.

WOODNET CAN HELP YOU WITH ...

- **Options for marginal land use.**
- **Forest feasibility assessment and planning.**
- **Assessment of harvest proposals.**
- **Support with marketing your forest block.**
- **Forest inventory and valuations.**
- **Forest purchase - Due diligence and advice.**

- **Transfer of forest ownership - Implications/solutions.**
 - **Silviculture - Planting, spraying, thinning, pruning.**
 - **Carbon advice and related services (ETS).**
 - **Insurance options for trees and carbon.**
 - **Structuring forest ownership for succession.**
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