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NEWSLETTER: 29/3/2015

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Pre-1990 land obligations - Window closing ...



Driving around the country earlier this week we noticed at least two forest blocks that have been logged over the last few years but do not appear to have been replanted.

If they have already completed a deforestation notification, return and surrender then the landowner will be fine, likewise if they replant within four years of harvest. But if not, then sometime in the future they are likely to receive communication from 'MPI Compliance' that they have incurred a deforestation liability.

The latest MPI Sustainable Forestry Bulletin says:

From 31st May 2015, all New Zealand ETS emissions obligations must be paid using New Zealand Units (NZUs). For forestry participants this means forestry activity in 2015 which results in emissions obligations must be paid for with NZUs in 2016. For example, if you deforest pre-1990 forest land in 2015 you must submit an emissions return, and thus pay the obligations with NZUs, in 2016.

*However, if you deforested pre-1990 forest land in 2014 (or in a previous year), and submit an emissions return **AND** pay units **before** 31st May 2015, you can still use Kyoto units (e.g. ERUs).*

As of today there are two more full working days to notify MPI of any pre-1990 forest land that has been deforested and still be able to surrender cheaper

Kyoto units. After 31st March any notification will be considered a 'late application' by MPI.

EXAMPLE

In discussion this week with someone they asked about an area of approximately 20 Ha with a forestry right over it that was logged and has not been replanted by the landowner.

In this example having to surrender units for 20 Ha deforested land previously containing 30 year old radiata will result in a liability of approximately 17,140 units (i.e. 20 Ha X 857 units per Ha) plus a potential \$30 per unit fine.

The cost of meeting this liability using ERUs by notifying and submitting a return in time to surrender Kyoto units before 31st May (incl. administration at today's prices) is around **\$2,700**.

This increases to about \$115,000 (using today's NZU buy price) if the opportunity to use Kyoto units is missed.

We strongly recommend that if you are in the above position and have not filed a deforestation notification for pre-1990 forest land that you do so immediately – likewise if you know of someone that might be exposed consider advising them to clarify their situation accordingly.

If you cannot meet the 31st March date MPI advises getting the notification and returns in as soon as possible.

MPI Sustainable Forestry Bulletin



The latest MPI Sustainable Forestry Bulletin has information on:

- Changes to units used to pay ETS obligations.
- 2015 post-1989 forestry emissions returns.
- Revised ETS cost recovery procedure.
- Deforestation outreach project.

Follow this link to open:

[MPI Sustainable Forestry Bulletin - March 2015](#)

Update - Budget night ETS law change

After receiving yet another *"The Government does not intend to review this decision ..."* response from Minister Groser, we have recently written direct to the Prime Minister, requesting a direct response to our question:

"Why should law-abiding forest participants be directly financially penalised by a retrospective law change? What is the ethical basis for this behaviour by Government?"

We'll keep you posted.

Forestry and log price update



Log prices have continued to slide off shore since Christmas however the buffering effect of a low exchange rate and reduced shipping costs has come to an end and 'take home' prices in NZ are now falling. This is exasperated by the Chinese New Year that is seeing inventories rise offshore and a slow start to the industrial year in what is now NZ's largest export log destination.

The graph above supplied by Kelly Coghlan (Logrite) adds some colour to what is otherwise a potentially gloomy picture in the immediate future.

Carbon price update

You can sell **NZUs** this week for around **\$6.35** each.

You can sell **ERUs** this week for around **\$0.07** each.

The rising NZU carbon price reflects NZ emitters back in the market for NZUs. In theory between 1-1.5 million units per month are required to cover NZ's current emissions (less whatever number the Government gift to certain emitters as part of their trade exposed arrangement/subsidy).

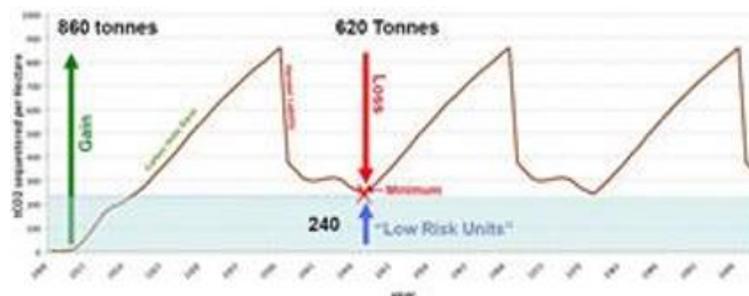
Emissions returns for Post-1989 ETS participants



If you are a post-1989 ETS participant, you are entitled to submit a Voluntary Emissions Return to MPI in order to receive credits accrued for the 2014 year (and 2013 if you did not file an Emissions Return last year). If this Emissions Return is not submitted to MPI by 30th June 2015, then you will have to wait until the following year for your next opportunity.

If you would like Woodnet to prepare and submit the Emissions Return on your behalf, please complete and return the instruction form (these were posted out recently) as soon as possible.

Enduring carbon - Is it real?



We have recently been in discussions with MPI regarding "ENDURING" and "RESIDUAL" carbon and how this is treated when submitting an emissions return for a client

who has harvested first rotation and then planted second rotation forest.

It is certainly one of the most confusing and difficult aspects of the ETS to explain!

The main points are:

1. During harvest, not all wood/stored carbon is removed from the site. After harvest there is a certain portion of "leftover" carbon remaining on/in the ground (i.e. stumps, branches, timber not removed etc). This carbon is slowly released over time through rotting, so needs to be accounted for using the MPI "residual tables" - a decrease in carbon.
2. At the same time as those residual remains are rotting, the newly planted forest grows and starts to collect/store carbon - an increase in carbon.
3. These two carbon figures must be combined to calculate the total carbon on the forest land for any one year on the emissions return.
4. The point where the first rotation's decreasing carbon line crosses the second rotation's growth increasing carbon line represents the **minimum** total carbon for the forest stand.
5. Therefore, if an ETS participant has received a high proportion of the stand's total carbon (ie. entered it in the ETS at a young age), that participant is not required to surrender the carbon below the **minimum** total of the land at harvest.
6. This 'enduring' or 'free' carbon is only available while the forest remains standing and while it remains in the ETS. These units must still be surrendered if there is a change of land use, or if it is removed from the ETS.

This is a very simplistic explanation, so if you are an ETS participant and have recently harvested first rotation and planted second rotation forest, please contact us so we can assess your specific situation.

We hope to have a more detailed article on this topic in the May issue of the Tree Grower magazine.

Have your contact details changed?

Something that often gets overlooked by clients is that it is important to notify us if your contact details change, or if there are any changes to your entity ownership (i.e. change of Trustee etc).

Not only do we have to update our own records, we may also have to advise the Ministry of Primary Industries (MPI) and NZEUR (if you have a carbon holding account).

Manuka and Profitable Marginal Land Use Seminar - May 2015, Napier



This seminar will provide an update on major developments in the fields of manuka health science, markets for manuka products, the economics and practicalities of growing manuka on marginal land, and the beekeepers' perspective of working with landowners.

Follow the link below for:

[FULL PROGRAMME AND SEMINAR REGISTRATION DETAILS](#)

Wildside Walks



Here's what our client survey winner, Ed Beetham, said about his recent trip into the hills with Wildside Walks:

"Many thanks for a fantastic day last Wednesday, the area is something else and to add some hard-to-catch fish to it was just great.

The helicopter makes it all possible to locations like that and what great scenery from it too along the way!!

Thanks again, I really appreciated the opportunity."

For further information visit www.wildsidewalks.co.nz

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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Contact us:

admin@woodnet.co.nz | Ph. +64 6 370 2068 | Fax. +64 6 370 2069

PO Box 758, Masterton, 5840, New Zealand

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