

The New Zealand Emissions Trading Scheme Background to Scheme and Application to Post – 1989 Forest Land

The Kyoto Protocol provided that new forests planted since 1990 are eligible to earn carbon credits for increases in carbon stocks from 1st January 2008.

However it also addressed the problem of de-forestation, which under the ETS Scheme creates emissions liabilities.

The ETS puts a price on greenhouse gases and provides incentives to encourage the most efficient way to lower emissions. The unit of measurement of carbon credits is the NZU.

Participants in the ETS have 3 core obligations:

1. Monitor their emissions.
2. Report emissions to Government by completing emissions returns, and
3. Surrender units to cover emissions or claim units for removal of emissions.

There is a transition period that applies until 31 December 2012 in which participants in the forestry sector can pay cash at a fixed rate of \$25 per NZU as an alternative to surrendering units.

Forests established after 1st January 1990 are eligible to earn carbon credits. Owners of the forest land or those with a registered interest in the forest on the land may voluntarily become participants in the ETS. In doing so they are entitled to receive NZUs for the increase in carbon stocks in their forest from 1st January 2008.

Once the owners become participants in the ETS they have certain legal obligations. These include:

1. To report at least once every 5 years on the change in carbon stocks in their forest.
2. To surrender NZUs if the carbon stocks in their forest fall below a previously reported level. This can happen because of harvesting or fire. However the surrender liability is capped at the amount of NZUs previously received by the participant for that area of forest land.
3. Notify Government if any part of the forest area registered in the ETS is sold or transferred to another party. If it is sold any NZUs that may be owed at the time of transfer must be surrendered.

Participants in the ETS can choose to register part or all of their post 1989 forest land. Additional land can be registered at any time.

Forest owners have until the end of 2012 to decide whether to register post 1989 forest and receive NZUs. If they do they can claim NZUs for all the carbon stored in their forest from 1st January 2008 to 31 December 2012.

Forest owners can also register after 2012 but they can only claim NZUs for the carbon sequestered from 1 January 2013.

Note that no NZUs are earned for carbon sequestered between 1 January 1990 and 31 December 2007.

If forest owners do not register their post 1989 forest, no NZUs are issued in respect of that land nor are any units required to be surrendered if the area is harvested or de-forested.

To confirm that proposed forest land is eligible to join the ETS as post 1989 forest land, forest owners will need to show:

1. The area was grass land without any woody species on 31 December 1989.
2. If woody species were present on 31 December 1989 they were not forest species.
3. If it was forest land on 31 December 1989, then it was de-forested between 1 January 1990 and 31 December 2007.
4. If forest species were present on 31 December 1989, then under the management regime for the land at the time it was unlikely that the stocking of forest species would have ever become sufficient to achieve a crown cover of more than 30%. This may be because of regular clearing or grazing.
5. If the land was formerly pre 1990 or exempt forest land that had been de-forested and any liabilities resulting from that de-forestation had been met, it can rejoin the ETS scheme as post 1989 forest land.

Documentary evidence of the year of establishment of the planted forest must be provided in the application to join the ETS. The forest area must be defined accurately.

Please contact our office if you wish to be assisted in preparing an application.

Carbon Sequestration

This is the process by which carbon dioxide is removed from the atmosphere during photosynthesis and stored as carbon in forest biomass (trunks, branches, foliage, roots and forest floor litter). In order to calculate the total carbon sequestered in a forest at any given time it is necessary to work out how much carbon is in the following carbon pools:

1. The above ground live biomass – includes stem, branches and leaves or needles.
2. The below ground live biomass – root system of the tree. This usually decays slowly over time once the tree is harvested.
3. The coarse woody debris left on the forest floor after pruning, thinning or harvesting operations or due to natural mortality. This also decays slowly over time.
4. The fine litter composed of decaying leaves or needles and small branches. This usually increases slowly over time until a balance between annual litter fall and decay is reached.

Forest biomass consists of about 50% carbon, and over time practically all of the change in forest carbon comes from changes in the 4 biomass pools above. Increases in forest carbon stocks through growth and sequestration will reach a maximum level over time and then decline and lose carbon through harvesting, thinning and natural decay. Emissions returns filed under the ETS are used to account for the increase or decrease in carbon over a predetermined period.

There will be tables available to assess the change in carbon stocks to be used for the returns.

Also field measurements will be allowed but the method of using these has yet to be finalised.