

The New Zealand Emissions Trading Scheme Application to Pre 1990 Forest Land

The year 1990 is the base year for the Emission Trading Scheme (ETS). This is the year the Kyoto Protocol was signed.

Owners of pre 1990 forest land have no obligations under the ETS if the land is not de-forested.

However they automatically become participants in the ETS if they de-forest more than 2 hectares in any 5 year period starting 1 January 2008. There is a legal obligation to notify MAF of de-forestation.

The Government have decided to allocate carbon credits (NZUs) to owners of land covered by pre-1990 forests in partial compensation for the loss of land value as a result of the implementation of the ETS. The NZUs must be applied for, and once purchased can be retained or sold.

If pre 1990 forest is harvested and a new forest not re-established within 4 years, NZUs must be surrendered to MAF. The NZUs to be surrendered will be considerably more than the allocation being made.

The allocation of carbon credits (NZUs) is available to all owners of pre 1990 forests. However some forest owners may apply for an exemption.

Definition of Forest Land

A pre 1990 forest has the following characteristics:

- Must have been an established forest (indigenous or exotic) on the site by 31 December 1989 (note if an indigenous forest was on the site in 1990 and it is still in indigenous forest it is excluded from the ETS).
- Minimum 1 hectare.
- Must be "forest species" – over 5 metres high.
- Minimum canopy cover 30%.
- Forestry block must be more than 30 metres wide on average (excludes shelter belts). However shelter belts can be included if they link forest areas.

The land owner is responsible under the ETS, not the forestry right owner.

Allocation of NZUs

There are 3 categories of entitlement for NZUs:

1.	Forest owned before 1 November 2002	60 NZUs per hectare
2.	Forest owned since 1 November 2002	39 NZUs per hectare
3.	Crown license land	18 NZUs per hectare

The allocations of NZUs will be made in 2 lots. The first allocation will be made soon after the application is received and up until 31 December 2012. The second allocation will be transferred after 31 December 2012 but the Government may still cancel or defer the second allocation. The first and second allocations for each of the above 3 categories are as follows:

1. 23 and 37 NZUs per hectare

2. 15 and 24 NZUs per hectare
3. 7 and 11 NZUs per hectare

The owner of the land on 20th July 2010 is eligible to apply for the NZUs.

Exemptions

Pre 1990 forest owners may apply to be exempt from the ETS if:

1. Their pre 1990 forest is less than 50 hectares and / or
2. The forest trees are classified as “tree weeds”. There is a special list of relevant species which are identified as tree weeds.

Key Dates

1. 1st November 2002
The ownership of the land at this date establishes how many NZUs the owner is entitled to.
2. 1st September 2007
The owner of the forest on this date is entitled to claim to be exempted from the ETS.
3. 20th July 2010
The owner of the forest on this date is entitled to apply for NZUs.

Applications

Applications for NZUs can be made on a paper form but there is also the ability to apply on line. A plan of the forest must be prepared and there is online software available to enable this to be done by way of a “shape file”. Please contact us and we can help guide you through the process.

Application for Exemption

This application can also be completed on line. An electronic shape file needs to be prepared as part of the application. The application must be in to MAF by 30th September 2011 and applications close on 30th November 2011.

Please contact us if you would like assistance in completing these applications.

The charge for de-forestation could be 700 to 800 NZUs per hectare. This is significant when compared with the maximum compensation of 60 NZUs per hectare. Currently NZUs are trading for between \$15 and \$20 each.