

ETS revisions welcomed by NZ forest owners

Forest owners are calling the proposed revisions to the Emissions Trading Scheme (ETS) both timely and necessary if New Zealand is to hope to meet its greenhouse gas reduction targets.

Forest Owners Association President Peter Weir says the Te Uru Rakau discussion paper is appropriately the first significant document to be produced by the new forestry unit established within the Ministry for Primary Industry.

"The Ministry for the Environment quite correctly states 'The ETS is New Zealand's main tool for reducing greenhouse gas emissions so it's important it is a credible and well-functioning scheme that helps us meet our climate change targets.'"

"To date though, the ETS has been applied inconsistently and is relatively ineffective in bringing emissions down and promoting afforestation to sequester atmospheric carbon. Meanwhile higher land prices have stifled most afforestation efforts."

Farm Forestry Association President Neil Cullen believes it is important the ETS is capable of delivering real results with encouragement for more trees to be planted, especially on farmland. "Farmers looking at planting trees are nervous about the prospects of the government distorting the carbon market, as they have in the past. Farmers would like to know what the likely range of the carbon price will be over five-year periods."

"They'd like smaller woodlots to be included in the ETS. They need a system which is inclusive of all forestry, and is straightforward and easy to understand, before they will significantly commit to more trees on their farms."

"The 'soft' floor and ceiling mechanisms suggested in the discussion documents need to be considered, but I suspect many potential woodlot owners would want more security than a government carbon auction," Neil Cullen says.

Peter Weir says a significant inclusion in the discussion is that of the retention of carbon in what are termed harvested wood products. "The current scheme makes no allowance for the fact that carbon remains locked up in timber for potentially longer than the life of the tree it was produced from. This is recognised internationally, but here in New Zealand it doesn't flow through for the benefit of forest growers or wood processors."

"Likewise, we are uncertain so far of how a proposed 'cost containment reserve' price ceiling mechanism might work to replace the current ceiling of \$25 per tonne. Mindful of the Productivity Commission's recommendation of a meaningful carbon price a rigid cap at \$25 per tonne, it's not going to change behaviour."

Peter Weir says one attractive element of the ETS revision is an option to include averaging. This is where a carbon price is set for forests which allow for the fact that they are in continuous production.

"Tailored adjustments to smooth the credits and liabilities and to lower risk are changes FOA has pursued for some time and would make the ETS a more attractive option, particularly for owners of small forests, than is currently the case."

Peter Weir is encouraging forest owners to read the consultation documents. "It's important to better understand the proposal for carbon averaging."

Source: FOA, NZFFA