

### Potential impacts of an emissions trading scheme for forestry

The government expects that the deforestation of pre-1990 forest land will reduce substantially under the emissions trading scheme. At the same time, it expects that more new forests will be planted and existing forests will be managed in a way that increases the levels of carbon stored in them. The increased costs facing some people in the forestry industry will be partially offset by the government providing landowners with a significant number of free emission units.



### Other government climate change initiatives relevant to forestry

The government has two existing initiatives in place that aim to encourage landowners to plant more trees. These are the East Coast Forestry Project and the Permanent Forest Sink Initiative (PFSI). Any owners who have entered into the PFSI will be able to move to the emissions trading scheme, if they choose, within 18 months of emissions trading legislation being passed.

In addition, the government is considering introducing an Afforestation Grant Scheme to encourage forest planting by people who do not want to join the emissions trading scheme.

The government also has a wider package of policies to tackle climate change in New Zealand's land management sectors. The government will be working in partnership with stakeholders and Māori in the forestry and agriculture sectors to put in place a Plan of Action for Sustainable Land Management and Climate Change. This package includes helping foresters, farmers, growers and other businesses in the land management sectors to develop the skills, knowledge, technology, and management techniques to reduce their emissions and adapt to climate change.



### Where to go for more information

For more information on the government's climate change work, including 'The Framework for a New Zealand Emissions Trading Scheme' and a series of emissions trading factsheets, visit [www.climatechange.govt.nz](http://www.climatechange.govt.nz)

For more forestry-specific information, refer to 'Forestry in a New Zealand Emissions Trading Scheme' public information document available from the Ministry of Agriculture and Forestry or visit [www.maf.govt.nz](http://www.maf.govt.nz)

The New Zealand government has decided to use an emissions trading scheme for greenhouse gas emissions as part of its response to climate change. Emissions trading will help reduce emissions, encourage and support global action on climate change, and help put New Zealand on a path to sustainability. This factsheet is an introduction to how emissions trading is likely to affect the forestry sector.

## Emissions trading and forestry



### Forestry emissions

As trees grow, they absorb carbon dioxide from the atmosphere and store it in their trunks, branches, leaves, and roots.

In turn, when the trees are harvested that carbon is released back into the atmosphere. The speed at which the stored carbon is released is very hard to predict, as it depends on the type of product that the wood is transformed into. However, the remainder of the forest biomass (what is left over after cutting down the tree) typically decays and releases carbon back into the atmosphere relatively rapidly.

From 2008 to 2012, forests planted after 1990 are expected to absorb more carbon dioxide than they release, helping New Zealand meet its obligations under the Kyoto Protocol. Under current harvesting forecasts, forests will release more carbon than they absorb from around 2020 until around 2033.





### What activities will the proposed emissions trading scheme cover for forestry?

The emissions trading scheme will have different rules, depending on when a forest was first established. This reflects the rules for determining the government's credits and liabilities under the Kyoto Protocol.

Under the Protocol, 'Kyoto forests' (post-1989 forests):

- > are those established by direct human activity on land that was not forest land as at 31 December 1989
- > generate forest sink credits for growth from 1 January 2008
- > create liabilities when carbon stocks decrease, such as at harvest or if the forest was to burn down.

Under the Protocol, 'Non-Kyoto forests' (pre-1990 forests):

- > are areas that were forested as at 31 December 1989
- > do not generate forest sink credits for New Zealand
- > do not generate any liabilities if the forest is harvested and re-established
- > generate liabilities if the land is 'deforested' – where the trees are removed and a new land use is introduced.

The government has decided in principle to give the owners of eligible post-1989 forest land the choice to enter the emissions trading scheme. Owners who choose to enter the scheme will receive forest sink credits as emission units when their forests grow, but will be required to surrender units if carbon stocks fall, such as when the forest is harvested or burns down. More detail on forested land which meets the criteria for post-1989 forest land covered by the scheme is set out in the 'Forestry in a New Zealand Emissions Trading Scheme' public information document referred to at the end of this factsheet.

The government will retain responsibility for the credits and liabilities of forests that do not join the scheme.

The government has decided in principle that owners of pre-1990 forest land will face obligations under the scheme if they 'deforest' – remove the trees and introduce a new land use, such as agriculture. It is proposed that deforestation obligations for pre-1990 forests will apply to exotic forests at this stage.



Pre-1990 forest owners will not face any emission obligations if they harvest the trees, as long as the land is replanted or left to regenerate into forest.

In addition, the government is proposing to provide a number of exemptions from the scheme for pre-1990 forests. The main exemptions proposed are:

- > forests where the landowner had total holdings of less than 50 hectares of pre-1990 forest land on 1 September 2007 (forest owners in this situation will need to apply for an exemption)
- > areas of deforestation of less than 2 hectares.

### What are the priority issues for discussion?

The government is proposing to bring the forestry sector into the emissions trading scheme on 1 January 2008 because of the importance of forestry to New Zealand's ability to meet its international obligations for greenhouse gas emissions.

The government proposes to give free emission units to owners of pre-1990 forest land.

From 2008 to 2012, the government proposes to cover 21 million tonnes of carbon dioxide emissions from deforestation of exotic pre-1990 forests.

The number of free emission units allocated from these 21 million tonnes to affected landowners will be adjusted to take into account the emissions that are expected to occur under the exemptions mentioned above.

From 2013, the government proposes to make available enough additional free units to cover an extra 34 million tonnes of deforestation of exotic forest. This would lead to the government carrying the cost of deforestation for slightly over 5 per cent of the total exotic pre-1990 forestry estate. If deforestation were not included in the scheme post-2012, then the proposed post-2012 allocation of units would not proceed.

Free units will be distributed between forestry landowners on the basis of the size of their forest landholdings.

Consideration will be given to whether or not to include indigenous forests in the emissions trading scheme (with a level of free allocation). Stakeholder feedback is sought on this.

