

Registering for Forest Carbon Offsets

OPTIONS IN NEW ZEALAND



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Framing the Context- New Zealand & International Rules

- In NZ have two carbon forest schemes
 - **The Permanent Forest Sink Initiative (PFSI)**
 - **Forestry under The NZ Emissions Trading Scheme (NZ ETS)**
- Both schemes evolved from within international context of international treaties
 - United Nations Framework Convention on Climate Change Agreed (1992)
 - Kyoto Protocol Agreed (1997)
 - Marrakesh Accords (2001)
 - NZ ratified Kyoto Protocol (2002)
- Rules have filtered down from Kyoto Protocol (and others) into domestic NZ scheme- **Some Strange**

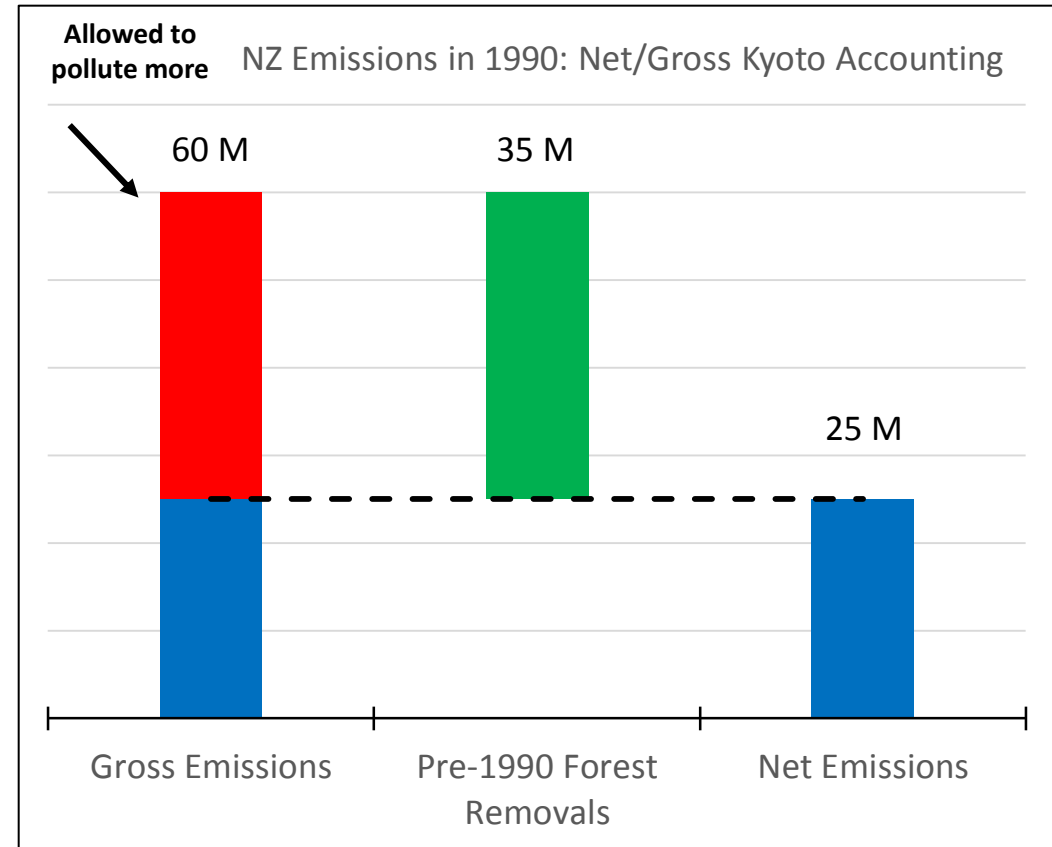


United Nations
Framework Convention on
Climate Change



International rules- Pre-1990 versus Post-1989 Forest

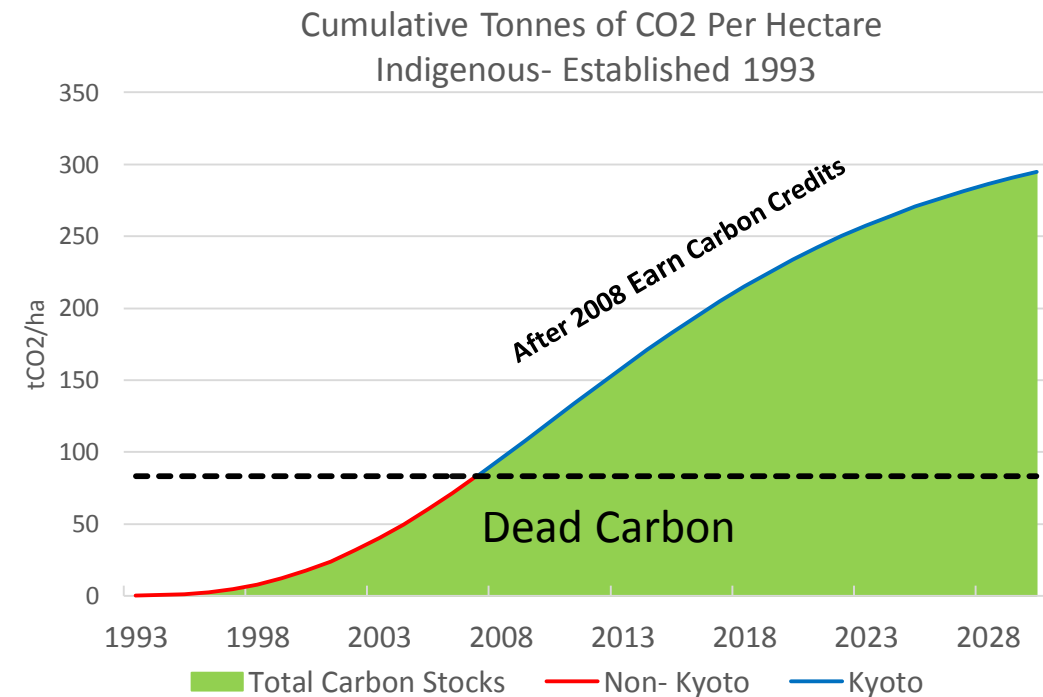
- Kyoto Protocol = difference between Pre-1990 forests versus Post-1989 Forests
- 1990 Emissions = Baseline for Kyoto Target
- Pre-1990 forests excluded
- Only new forests planted after Post-1989 earn credits= **Kyoto Forests**
- Most NZ native forest excluded from carbon because older than 1990
- Pre-1990 deforestation still accounted



Source: Statistics New Zealand- NZ Progress Indicators Greenhouse Gas Emissions

International rules- When does forest start earning carbon?

- Credits awarded for CO₂ absorbed >2008
- Why? First year emissions accounted under Kyoto (first period = 5 years 2008-2012)
- Outcome= a Kyoto forest can be established anytime after 1990 but only earns credits >2008
- 1990- 2008= Dead Carbon/ Non-Kyoto
- Also no obligation to repay this carbon if lost through fire etc...



Source: Indigenous Post-1989 Tables Climate Change (Forest Sector) Regulations 2007

International rules- What is a forest?

NZ elected to define forest as follows:

- At least 1 hectare in area
 - At least 30m in width (excludes most shelterbelt plantings)
 - 30% canopy cover per hectare
 - Tree species capable of reaching 5 metres in height at maturity in situ (i.e. in location they are growing)
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- If land= above before 1990 it is Pre-1990 Forest.
 - Forest includes native & exotic tree species/planted or regeneration.



Source:MPI Classifying Land for Forestry in the ETS (2010)

Domestic Schemes- PFSI & NZ ETS

Background

- Kyoto operates at Country Level
- 2002 Government looked at domestic scheme
- 2007 **Permanent Forest Sink Initiative**
- PFSI Cornerstone = Long term forest sink
- Government planned to exclude timber forest from carbon ownership
- Pressure from timber industry
- 2008 Government introduced forestry under the **NZ Emissions Trading Scheme**
- **Permanent Forest Sink Initiative- Post 1989**
 - Earn Credits for Afforestation/ Reforestation
 - Voluntary participation
- **ETS Forestry- Post 1989**
 - Earn Credits for Afforestation/ Reforestation
 - Voluntary participation
- **ETS Forestry- Pre 1990**
 - Repay carbon for deforestation
 - Applies only to exotic forest
 - Does not apply to indigenous
 - Mandatory participation

Comparison of Domestic Schemes- PFSI versus Post-1989 ETS Forestry

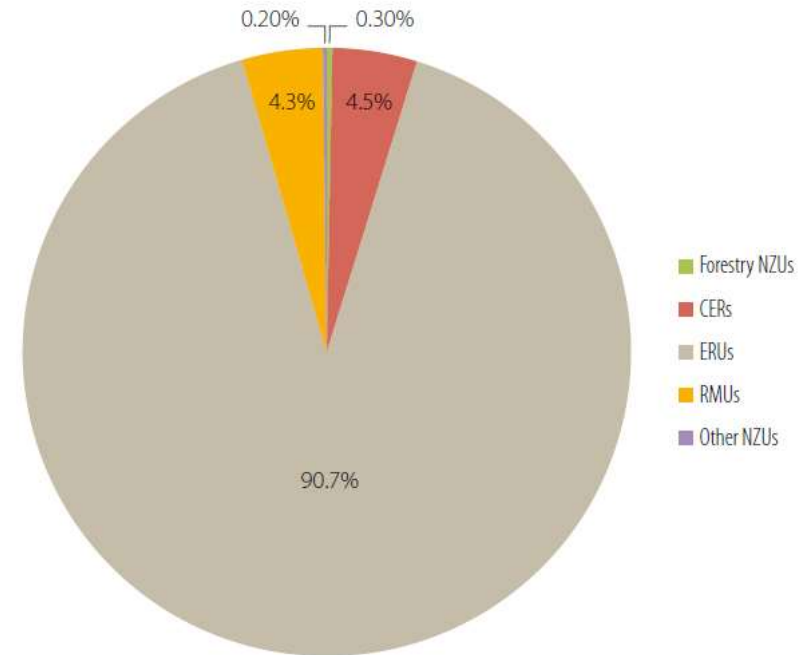
Feature	PFSI	ETS- Post-1989
Exotic & Indigenous	Yes	Yes
Voluntary Participation	Yes	Yes
Earn Credits for CO ₂ absorbed >2008	Yes	Yes
Repay Credits for CO ₂ Lost >2008	Yes	Yes
Cost	Similar	Similar
Legal Mechanism	Legislation & Covenant	Legislation
Security/ Encumbrance	Covenant registered on Land Title	Notice registered on Land Title
Term	Minimum of 50 years	No minimum. Can exit anytime
Harvesting	Restricted- Small coup harvesting	No restriction- Can clear fell
Permanence of Forest & Carbon Stocks	Yes	No

Comparison of Domestic Schemes- Market Preference for PFSI?

Does the Market Place a Premium on PFSI over NZ ETS?

- Voluntary Market- Yes
 - Include CarbonZero
 - Private individuals offsetting their footprint
 - Corporates offsetting for Corporate Social Responsibility
- NZ Compliance Market- No
 - More interested in 'least cost'
 - Market is way larger than voluntary
- 2013- 45.5 M units surrendered to Govt. 99.5% overseas. Most from Ukraine/ Russia

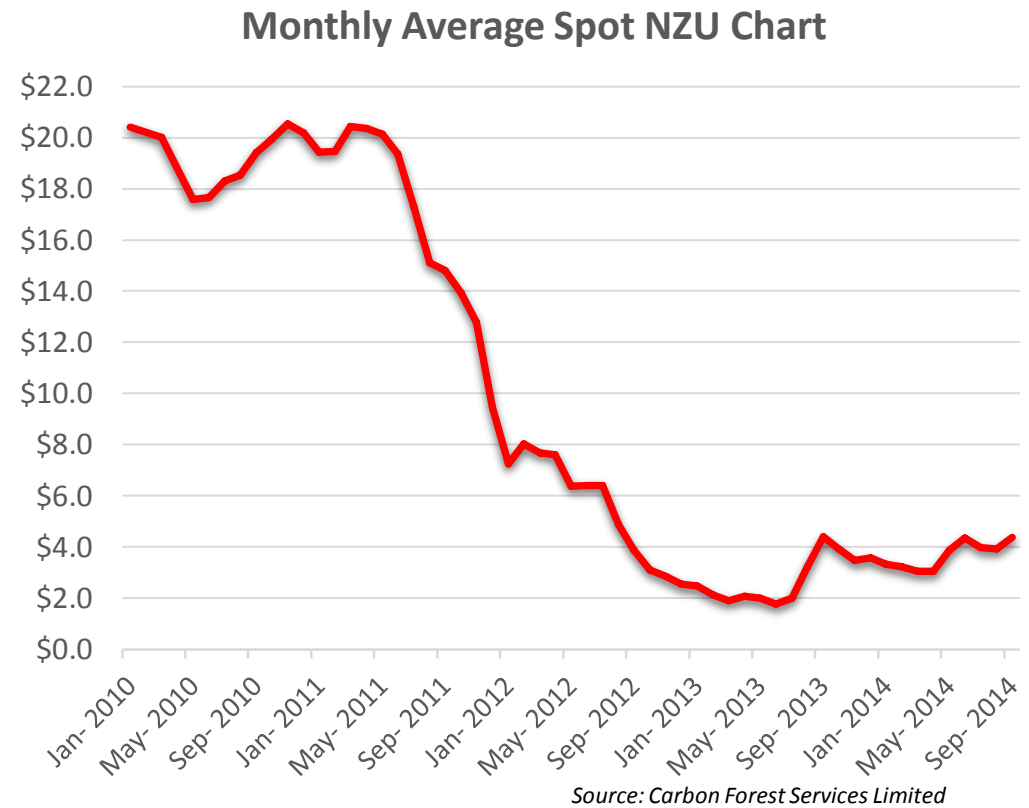
FIGURE 1: Types of units surrendered



Source: ETS 2013- Facts & Figures (Environmental Protection Agency)

Carbon Prices- Compliance Market

- NZ Compliance market has collapsed
- Influence of unlimited overseas credits
- Primarily from Eastern Europe
- Kyoto emission reduction units (ERUs) currently priced at 15 cents each
- Units will be banned from May 2015 b/c NZ not party to Kyoto Protocol 2
- Means NZ Unit only eligible unit after
- Hope compliance price will increase but....
- Market is currently 'long'. There are up to 110m NZUs issued versus demand 20M/yr



Registering For Carbon-PFSI versus NZ ETS Post 1989

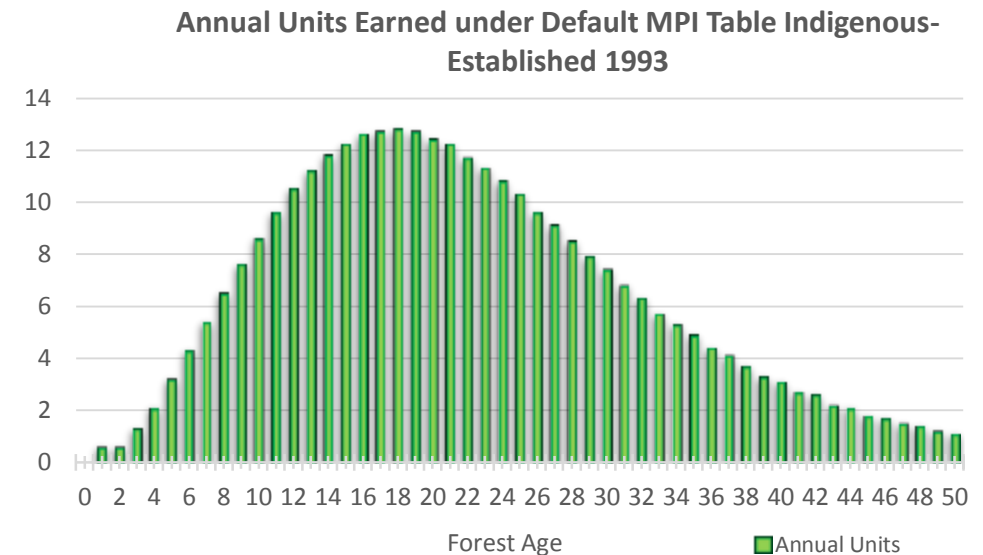
Key to good application is:

- Accurate Mapping
- Evidence of Forest eligibility
 - Historic aerial imagery
 - Farm/ land clearance records
 - Historic Ground based photos
- Indigenous is hard to prove. Likely to have scattered scrub in 1990
 - May need destructive samples to age regeneration
 - Land use evidence important and easier under PFSI than ETS

	PFSI	ETS Post-1989
Application:	Paper Based	Online Tool
MPI Cost:	\$575	\$562.50
Consultant Cost:	>\$1000*	>\$1000*
Applicant:	Landowner	Forest Owner
Consent:	Mortgagee/ Interest Holder	Forest Right Holder/ Landowner
Evidence forest is Post 1989:	Must provide w/ application	Optional
Registration:	Covenant signed & registered with LINZ	Once approved MPI lodge Notice with LINZ

Ongoing Obligations, Costs and earning carbon credits

	PFSI	ETS Post-1989
Carbon loss	Liable to repay carbon for loss due to fire/ storm damage	
Record keeping	Maintain adequate records on forest including emission returns	
Compliance	Subject to audit by MPI and penalties for non-compliance	
Carbon Claim	Voluntary each year/ Mandatory every five years	
Cost	\$0	\$102.50
Calculate Carbon	Forests <100ha= Default tables Forests >100ha= Measurement	
Measure	Min \$7500+GST (15 plots)/ 5 years	



- Annual average is 6 tonnes/ ha/ Year
- Measuring could return less carbon than default
- Default table is for entire NZ. Belief that default table is generous

Conclusions:

- Permanent Forest Sink Initiative is more real commitment to conservation forestry
- Major difference with ETS is 50 year term of PFSI and restrictions on harvesting
- Some buyers recognise PFSI as having more integrity and therefore will pay more
- Costs/ process similar for both schemes
- Key to application for Natives is proving that was not already 'in forest' in 1990
- If you do not join a scheme the carbon benefits are taken by Government
- Ongoing costs are minimal unless forest is measured. Measurement avoided if <100 ha
- Forest credits do not expire. You can accumulate rather than sell each year and wait for prices to improve

THANK YOU!

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