

New Zealand Government



The New Zealand Emissions Trading Scheme

❖ The New Zealand Emissions Trading Scheme Review 2015/16

FORESTRY TECHNICAL NOTE

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Contents

1	Introduction	2
1.1	Background to the New Zealand Emissions Trading Scheme Review 2015/16	2
1.2	Forestry's role in the NZ ETS	2
2	Existing structural design settings	3
2.1	Background	3
2.2	Key design settings	3
2.3	Progression of forestry settings in the NZ ETS	3
2.4	Other forestry programmes	4
2.5	Questions	5
3	Key aspects of future accounting approaches	6
3.1	Background	6
3.2	International context	6
3.3	Future forestry accounting in the NZ ETS	7
	Averaging	7
	Harvested wood products	9
3.4	Questions	11
4	How to make a submission	13
5	Summary of consultation questions	15

1 Introduction

1.1 Background to the New Zealand Emissions Trading Scheme Review 2015/16

The Government launched a review of the New Zealand Emissions Trading Scheme (NZ ETS) in November 2015. The review is broad, and its objectives are to assess the operation and effectiveness of the NZ ETS to 2020 and beyond to:

- ensure that the NZ ETS helps New Zealand to meet its international obligations cost effectively in the 2020s
- ensure the New Zealand economy is well-prepared in the context of a strengthening international response to climate change and potentially higher carbon prices in the 2020s
- allow the NZ ETS to evolve with changing circumstances, particularly with respect to the framework provided by the Paris Agreement.

This technical note is focused on identifying and better understanding forestry matters to advance the above objectives. The Government is interested in understanding how stakeholders view the existing structure of forestry in the NZ ETS, and in what ways forestry in the NZ ETS could evolve to support the changing international and domestic context. Policy proposals will then be developed over the next year, and further engagement with the sector will be required before any changes are implemented.

A technical note on operational matters not included in the NZ ETS review discussion document has also been released,¹ and includes a number of matters specific to forestry participants. A copy of the operational matters technical note can be found on the Ministry for the Environment's website, www.mfe.govt.nz.

We want to hear from a range of affected stakeholders, including current forestry participants, landowners, wood processors and manufacturers, and iwi/Māori with forestry interests, along with other interested parties.

1.2 Forestry's role in the NZ ETS

The forestry sector made an important contribution to New Zealand meeting its international obligations under the first commitment period of the Kyoto Protocol. New Zealand is also currently on track to meet its 2020 emission reduction target, which was taken under the United Nations Framework Convention on Climate Change.

Forestry is potentially one of New Zealand's largest and most cost-effective abatement opportunities. The Government wants the forestry sector to continue to help New Zealand meet its international emission reduction targets and to help reduce our net emissions below business-as-usual levels, in line with the purpose of the NZ ETS.

¹ Ministry for the Environment. 2016. *New Zealand Emissions Trading Scheme Review 2015/16: Operational Matters Technical Note*. Wellington: Ministry for the Environment.

2 Existing structural design settings

2.1 Background

Forestry was the first sector to enter the New Zealand Emissions Trading Scheme (NZ ETS) in 2008 and, like the rest of the NZ ETS, much of the sector's design settings were based on Kyoto Protocol first commitment period rules. The NZ ETS classifies forests depending on when they were first established, to reflect the Kyoto Protocol base year of 1990. This setting was chosen so that the incentives for forest owners were aligned with New Zealand's obligations and entitlements under the Kyoto Protocol.

2.2 Key design settings

Owners of post-1989 forest land (or holders of registered forestry rights or leases over post-1989 forest land) can choose to register in the NZ ETS and be allocated New Zealand Units (NZUs) for the carbon absorbed by their trees as they grow. When a forest registered in the NZ ETS is harvested or deforested, units must be surrendered for the amount of carbon that is lost from the forest. This liability cannot exceed the net number of NZUs the participant received for the carbon absorbed by the forest. As participation is voluntary for post-1989 foresters, they can choose to exit and re-enter the NZ ETS at any time. If they deregister, they must repay the net units they have received.

In line with our international obligations for the first commitment period of the Kyoto Protocol, planted forests established prior to 1990 ('pre-1990 forest land') are treated differently under the NZ ETS. An owner of pre-1990 forest land is not an NZ ETS participant as long as the land is kept in forest. If the owner deforests more than two hectares in any five year period, commencing on 1 January 2008, they must register in the NZ ETS and surrender NZUs for the carbon lost from the forest. Owners of pre-1990 forest land received a one-off allocation of NZUs to offset some of the economic impacts of the NZ ETS.

Reflecting the rules for the Kyoto Protocol's first commitment period, owners who deforested pre-1990 forest land were given no option other than to surrender units to cover the carbon lost from the forest. From 2013, however, they have had the option of offsetting the lost carbon by planting an equivalent forest elsewhere. This change was to reflect a change to the accounting rules for the Kyoto Protocol's second commitment period (CP2).

2.3 Progression of forestry settings in the NZ ETS

The NZ ETS was designed to align the incentives for forest owners with the Government's obligations under the Kyoto Protocol. Not all of these international rules have been reflected in the NZ ETS, however, and some have been modified for practical reasons and to better suit New Zealand's domestic circumstances. For example, privately-owned pre-1990 natural forests and all unregistered post-1989 forests do not incur deforestation liabilities under the NZ ETS.

There are other exemptions from liability for deforestation of pre-1990 forest including:

- deforesting tree weeds
- owning less than 50 hectares of pre-1990 forest land
- deforesting up to two hectares in every five-year period commencing from 1 January 2008.

Since the NZ ETS was established, the settings for the forestry sector have largely remained constant, although the international rules changed between the first and second commitment periods of the Kyoto Protocol. Under the international rules for the second commitment period, New Zealand is permitted to offset deforestation liabilities by establishing an equivalent forest as a replacement for a pre-1990 planted forest ('offset planting'). The rules also allow Parties to the Protocol to account for the carbon stored in harvested wood products over time, and to factor-out emissions from natural disturbance.² New Zealand must also account for net emissions in pre-1990 forests, and is accountable for changes relative to business-as-usual levels (termed the 'Forest Management Reference Level').³ In addition, the Afforestation Reforestation Debit Credit⁴ (ARDC) rule was not continued for the second commitment period.

Following these changes, the NZ ETS was amended to allow for offset planting for pre-1990 forest land (as mentioned above). It was not amended, however, to reflect other changes to the way New Zealand accounts for its emissions and removals from forestry internationally.

The NZ ETS has also undergone some changes for domestic reasons. In 2014 the NZ ETS was changed to prevent re-registration arbitrage by only permitting the use of NZUs for post-1989 forestry surrender obligations when deregistering from the NZ ETS. In addition, from 1 June 2015, the NZ ETS has become a domestic scheme, excluding the use of international units.

2.4 Other forestry programmes

The NZ ETS operates alongside other forestry programmes, such as the Permanent Forest Sink Initiative (PFSI). The PFSI complements the NZ ETS, providing landowners with NZUs for the creation of permanent (or not-for-harvest) post-1989 forests. In 2014, the Ministry for Primary Industries consulted publicly on ways to improve the PFSI, including its alignment with the NZ ETS, and will make recommendations to Cabinet in 2016. Any decisions on aligning the PFSI with the NZ ETS may be made alongside any changes following this review of the NZ ETS.

² A natural disturbance provision allows Parties to factor out emissions from large scale natural disturbances. Emissions and subsequent removals from natural disturbance are excluded from accounting using this provision.

³ The Forest Management Reference Level allows Parties to account for pre-1990 forests against a business-as-usual projection. This approach accommodates cyclical emissions and removals associated with harvest and regrowth that is part of sustainable forest management. Credits or debits are incurred if a Party deviates from their projection.

⁴ The ARDC rule allows Parties to limit their liability upon harvest of any post-1989 forest stand to the quantum of units received for that forest during the first commitment period of the Kyoto Protocol. This rule does not apply in the second commitment period of the Kyoto Protocol. Now Parties are required to account for the total loss of carbon during harvest. The NZ ETS continues to limit individual foresters' liabilities by applying the ARDC rule.

Other forestry programmes include the Afforestation Grant Scheme and Erosion Control Funding Programme. These programmes provide grants for planting new forests, which, among other benefits, assist New Zealand to meet international emission reduction targets.

2.5 Questions

We are seeking feedback on the existing forestry settings that are described above.

- F1. What do you consider are the strengths and weaknesses of the NZ ETS forestry settings?
- F2. Do the NZ ETS forestry settings discourage deforestation? If not, what settings do you think would?
- F3. Do the NZ ETS settings incentivise afforestation and replanting? If not, what settings do you think would?
- F4. Does the NZ ETS provide effective incentives for smaller foresters to participate in the scheme? If not, what settings do you think would?
- F5. Does the NZ ETS work well alongside other forestry programmes? If not, how do you think these programmes could be better aligned?
- F6. What changes could be made to NZ ETS forestry sector provisions to improve the scheme?

3 Key aspects of future accounting approaches

3.1 Background

In order for forestry to continue to contribute to reducing New Zealand's net emissions to support New Zealand to meet its international emission reduction targets, forest owners need confidence in the direction of New Zealand Emissions Trading Scheme (NZ ETS) settings over the long-term.

The Government wants the NZ ETS to continue to encourage the planting of new forests and appropriately discourage deforestation, irrespective of the methodologies New Zealand uses to account for its emissions and removals internationally.

The NZ ETS needs to enable participants in the forestry sector to make informed and confident decisions about how to maximise the carbon stored in their forests. This will allow the sector to make a meaningful, sustained contribution to reducing New Zealand's net emissions over the long term.

3.2 International context

The evolving international context is instrumental in determining how the NZ ETS serves to meet New Zealand's international obligations. As a result, one of the objectives for the review is to consider how the NZ ETS needs to evolve in light of the Paris Agreement on climate change, agreed in December 2015.

In the lead up to the Paris Agreement, New Zealand put forward an intended nationally determined contribution in 2015 – an ambitious emissions reduction target of reducing emissions to 11 per cent below 1990 levels by 2030, expressed as 30 per cent below 2005 levels.

Along with this target, New Zealand submitted its assumptions about which accounting rules it will apply for forestry and other land use. Under the Paris Agreement, New Zealand can apply these rules to the 2030 target.

New Zealand's submitted forestry accounting methodology builds on the existing rules under the Kyoto Protocol. The methodology would enable New Zealand to continue to recognise credits for afforestation and to be liable for deforestation emissions and it is intended to accommodate the cyclical emissions and removals associated with forest harvest and regrowth that occur as part of normal, sustainable forest management.

The methodology allows for forests established after the base year (1990) to be accounted for as they currently are under the Kyoto Protocol until they reach the average level of long-term carbon sequestration. After this point, the forests will be subject to a 'business-as-usual' (or 'reference level') accounting approach. Under this approach, the reference level largely factors out the emissions effects of temporary carbon stock changes of sustainable harvest and re-growth cycles. The methodology also credits carbon stock enhancements to established forests. New Zealand will be required to account for its emissions from all deforestation. For more information on New Zealand's 2030 target and our intended nationally determined contribution, see www.mfe.govt.nz.

3.3 Future forestry accounting in the NZ ETS

We have a choice about the extent to which we change NZ ETS settings to align with the methodology New Zealand is currently using, or will use internationally after 2020, to account for its emissions and removals.

The closer the settings in the NZ ETS align with the methodology New Zealand uses to account for its emissions and removals internationally, the more easily the NZ ETS can be used to manage the Crown's financial risk. On the other hand, it may be useful to customise some settings to suit New Zealand's circumstances or to provide greater long-term certainty upon which to make forestry investment decisions.

When assessing potential changes to the NZ ETS forestry settings, it is important to consider the best interests of the NZ ETS as a whole, as well as for the forestry sector. For example, any change to the forestry settings would affect the supply and demand of units within the NZ ETS.

We are interested in how different approaches to forestry settings could affect you or your organisation, and what you consider important when considering these. We are also considering potential barriers to participation in the NZ ETS, for example, how forestry participants manage emissions liability from natural disturbances, and whether these barriers need to be addressed. Such issues and matters will need to be considered in concert with broader decisions about alternative accounting frameworks within the NZ ETS.

Two approaches for potential long-term changes to forestry accounting are outlined below. The aim of the following sections is to explain these two approaches and seek feedback on them. No specific changes to address these issues have been identified or are being proposed yet. Following feedback on this technical note, the Government will then develop policy proposals for any potential changes over the next 12 months.

Averaging

Background

The NZ ETS currently uses a full (or real-time) accounting approach for registered post-1989 forests. Under this approach, post-1989 forestry participants are allocated units, and are required to surrender units, based on all changes in carbon stocks. The approach is based on the rules for the first commitment period of the Kyoto Protocol, and reflects all changes to the amount of carbon stored in post-1989 forests, with all emissions from harvest accounted for as occurring when the trees are felled.

Average carbon stock accounting is a potential alternative option for accounting for post-1989 forestry in the NZ ETS, which has some similarities to the accounting methodology New Zealand proposes to apply to its 2021–30 emissions reduction target under the Paris Agreement. Averaging accounting is not a new concept, and it has been considered or implemented in a number of instances. For example, it is applied currently under Australia's Carbon Farming Initiative and has been considered elsewhere.⁵

⁵ Carbon Credits (Carbon Farming Initiative) (Measurement Based Methods for New Farm Forestry Plantations) Methodology Determination 2014. Averaging accounting has also been evaluated as a national carbon accounting approach for forest-based activities, see Kirschbaum et al (2009). It was considered for the UNFCCC's Clean Development Mechanism (CDM), see Schlamadinger et al (2004). It was included as a methodology option by SCION Research, see Piers Maclaren (2000).

Averaging accounting for post-1989 forests in the NZ ETS would allow foresters to receive New Zealand Units (NZUs) as their forest grows to the long-term average carbon storage for that forest. A long-term average would take into account future harvest and replanting cycles, and could potentially recognise the carbon that continues to be stored in short- and long-lived harvested wood products (see section below on Harvested Wood Products). An averaging approach would mean that foresters would not have to surrender units at harvest, provided forest is re-established on the land (ie, is not deforested).

Previous consideration

The 2011 Emissions Trading Scheme Review Panel noted that some post-1989 forest owners may be deterred from participating in the NZ ETS because of the potential financial risk associated with having to surrender units at harvest. To address this, the Panel recommended averaging should be an option for post-1989 forests; but, views on averaging accounting for forestry were not explicitly sought by the Panel in its call for written submissions.⁶ The Panel also recommended that the Government consider imposing a ceiling on the maximum forest size that would be eligible to use averaging accounting.

Current treatment

Currently, post-1989 forestry participants have to calculate and report changes in carbon stocks due to harvesting. The reduction in carbon stocks from harvesting generates a liability for the participant to surrender units. These harvesting liabilities would be avoided or reduced under averaging accounting.

Calculating and accounting for changes in carbon stocks resulting from harvesting can be complex, particularly where a forest consists of stands of varying ages and species that are harvested and replanted at different times. Participants must account for the decay of stumps and roots for 10 years after harvest, and accounting records can become complex and result in unintentional errors.

Under averaging accounting, some of this complexity would be avoided. Monitoring would continue to ensure participants met any obligations if they did deforest their land similar to the compliance auditing for pre-1990 forest land in the NZ ETS currently.

Impacts of averaging

Due to the absence of a liability for emissions due to harvesting, averaging accounting may make NZ ETS participation more attractive for owners of forests with one or few age-classes, or age-classes that require surrender of all acquired NZUs at harvest time. On the other hand, averaging may be less attractive to owners of forests with multiple age classes or forests that are not intended to be harvested. This is because they are less likely, in aggregate, to have sudden large fluctuations in carbon storage.

Averaging accounting could potentially increase afforestation by providing a more certain incentive for some foresters to participate in the NZ ETS.

⁶ Ministry for the Environment. 2011. *Emissions Trading Scheme Review 2011: Issues statement and call for written submission*. Emissions Trading Scheme Review Panel. Wellington: Ministry for the Environment.

To ensure the impacts and views of stakeholders are well understood, we want to hear from a range of forest owners, including those who are not currently participants in the NZ ETS.

Other considerations

Before averaging accounting could be implemented in the NZ ETS, there are a number of key matters that would need to be considered. These include:

- what sort of forest would be eligible for averaging accounting (ie, should there be an age or size limit on eligible forests)
- whether averaging accounting should be voluntary or mandatory
- how post-1989 forests should transition to averaging.

Considering the possible impacts on other aspects of the NZ ETS is also very important. As units generated from the forestry sector are an important source of supply for the scheme as a whole, any proposal to introduce averaging accounting would need to take the wider supply and demand dynamic into account.

Harvested wood products

Background

After being harvested, trees are converted into wood products that have various service lives, ranging from short-lived paper to long-lived building timber. These products store carbon that will eventually be released into the atmosphere at the end of their useful lifetime. Forestry accounting approaches that include recognition for these harvested wood products (HWPs) defer the emissions liability for harvested trees over the lifetime of the wood products.

Current treatment

In the NZ ETS emissions from wood products are accounted for as soon as a forest is harvested.⁷ This means that for a given hectare post-1989 foresters have to surrender, or pay back, at least 60 per cent of the units they have received for the carbon growth in their forests at the time of harvest. The remainder is accounted for over the following 10 years, as the tree stumps and roots decay.

International accounting

The current treatment of HWPs in the NZ ETS reflects international accounting rules for the first commitment period of the Kyoto Protocol. Rules introduced for the second commitment period recognise that when forests are harvested a portion of the carbon continues to be stored in short and long-lived wood products.

Following this change New Zealand reported deferred liability for emissions from HWPs internationally for the first time in April 2015. New Zealand intends to recognise HWPs in accounting for its 2021–30 target under the Paris Agreement.

⁷ A process for accounting for emissions from HWPs when they decay was not included in the NZ ETS when it was implemented in 2008. This is because there was no international agreement on an accounting approach. Additionally, there was a lack of data on the use of exported logs, and there remains some uncertainty.

New Zealand uses the Kyoto Protocol approach to HWP accounting,⁸ which estimates changes in carbon stocks in the wood products pool containing products made from all wood harvested in the country.⁹ The pool includes products made from wood harvested domestically that has then been exported and stored in uses in other countries. Such information is difficult to gather and verify, and work is underway to improve our knowledge of the end-use of New Zealand logs and lumber in export markets to reduce the uncertainty that currently exists.

New Zealand accounts for pre-1990 forests against a 'business-as-usual' reference level that includes HWPs, and as a result, emissions are anticipated to equal that reference level. This means that we expect the inclusion of HWPs in the reference level to make no difference to the accounting of emissions from pre-1990 forests (when compared with instantaneous emissions accounting).

Potential change to how HWPs are treated in the NZ ETS

To introduce deferred liability for emissions from HWPs into the NZ ETS would take some time and would also likely add further complexity to the NZ ETS for forestry participants. However, with the assumption that New Zealand is to account for HWPs internationally until at least 2030, the Government is considering whether to devolve domestically deferred liability for emissions from HWPs from post-1989 forests.

There are different ways that deferred liability for HWPs could be devolved domestically. One option would be to defer liability for the emissions from HWP from post-1989 foresters' existing harvest liability within the NZ ETS. Under this approach, it may be impractical to track exactly what products a forester's trees were eventually turned into, so the amount of HWP emissions deferred might have to be assumed using a national average. This approach would, however, ensure the administrative complexity and cost were minimised by putting the obligation as high up the supply chain as possible, a broad principle of the NZ ETS. This approach would not provide any incentive to increase the proportion of processed wood products.

Deferred liability for emissions from HWPs could be implemented by incorporating emissions from the decay of HWPs and on-site residuals (stumps and roots) into second rotation look-up tables over standard rotation lengths. This would mean that a participant would have fewer emissions to report at harvest, and would have fewer units to claim in the second rotation.¹⁰ If averaging were introduced into the NZ ETS, deferred liability for HWPs could also be incorporated into the long-term average carbon stored in forests.

Another possible approach could be to require wood processors, sawmillers and exporters to register in the NZ ETS and credit them with the carbon stored in the HWPs they produce. They would then be debited over time for the emissions these products release as they decay. This would require that processors determine the proportion of wood they are processing from different forest types, including pre-1990 forests, post-1989 forests and deforestation, and track the products subsequently made from that wood. While such an approach could provide

⁸ 2013 Revised Supplementary Methods and Good Practice Guidance Arising from the Kyoto Protocol.

⁹ Wood harvested from natural forests is excluded as the volume harvested is very low.

¹⁰ This methodology was analysed by Bruce Manley and Piers Maclaren in a New Zealand Journal of Forestry article in November 2010, see www.nzjf.org/free_issues/NZJF55_3_2010/EFB3A01F-9C81-4a94-8ECC-7755F5134444.pdf

an incentive to increase the lifetimes of processed wood products, it would include significant administrative cost and complexity, and alter the relative value of different wood products.

Finally, the benefit of deferring liability for HWPs could be devolved domestically outside of the NZ ETS, by expanding existing programmes such as the Afforestation Grant Scheme or through a new initiative.

Impacts on the NZ ETS

Devolving deferred liability for emissions from HWPs could increase the economic returns of post-1989 forestry participants. If devolved through the NZ ETS, this may encourage new forest planting and increased NZ ETS participation as it would raise the volume of units that could be sold by foresters who intend to keep their land permanently afforested and do not want to be exposed to future carbon price uncertainty.

Recognition of the carbon stored in HWP in the NZ ETS would have a number of other implications, which would have various advantages and disadvantages that would need to be considered before any changes are proposed. For example, deferring NZ ETS liabilities from HWPs might encourage forests to be managed for the production of longer-lived timber products, or encourage more domestic wood processing, because of possible additional incentives for producing greater volumes of longer-lived wood products. Reducing the impact of the carbon price on forest harvest decisions could also create greater certainty of wood supply for wood processors and sawmillers.

The advantages and disadvantages for various options for recognising the deferred liability of HWPs emissions, and any proposal to change the existing settings, would need to be considered in the context of the NZ ETS as a whole. As such, further analysis and consultation would be needed to identify and progress any potential changes.

3.4 Questions

- F7. What are important factors when considering changes to forestry accounting settings in the NZ ETS?
- F8. Do you think a different forestry accounting approach in the NZ ETS would change the scheme's incentives for afforestation?

Averaging

- F9. Do you think averaging should be introduced for post-1989 forests? If so, why, and do you think it should be optional or mandatory?
- F10. Should there be limits on the types of forests that can use an averaging accounting method? For example, new forests only or forests under a size threshold.
- F11. How might averaging impact on your business decisions?

Harvested Wood Products

- F12. Do you think deferred liability for emissions from Harvested Wood Products (HWPs) should be recognised domestically? If so, how?
- F13. How might the options for deferred liability for emissions from HWPs impact on your business decisions?

Other

F14. Do you have any other comments or things you think are important?

4 How to make a submission

Preparing your submission

The Government welcomes your feedback on how the NZ ETS is working, and how it might work better in future. Your submissions may address any aspect of the questions outlined in this document, and you may answer some or all of the questions. To ensure your point of view is clearly understood, you should explain your rationale and provide supporting evidence where appropriate.

There are three ways you can make a submission:

- use our online submission tool, available at www.mfe.govt.nz/more/consultations.
- download a copy of the submission form to complete and return to us. This is available at www.mfe.govt.nz. If you do not have access to a computer we can post a copy of the submission form to you.
- type up or write out your own submission. With this option, we would appreciate you paying attention to the questions posed throughout this document, and clearly indicate which questions your response addresses.

Please ensure your submission addresses those questions from this document that are relevant to you, and that it contains the following contact details:

- a) the title of the consultation (NZ ETS Review Consultation)
- b) your name or organisation name
- c) your postal address
- d) your telephone number
- e) your email address.

If you are emailing your submission, please send it to nzetsreview@mfe.govt.nz as a:

- PDF or
- Microsoft Word document (2003 or later version).

If you are posting your submission, please send it to NZ ETS Review Consultation, Ministry for the Environment, PO Box 10362, Wellington 6143.

Submissions close at 5.00pm on 30 April 2016.

Request for evidence-based submissions

Advice to the Government on any policy change will be based on the evidence available. Please provide evidence, analysis or data to support the points made in your submission. More weight is likely to be given to submissions that provide evidence.

Contact for queries

Please direct any queries to:

Phone: +64 4 4397400

Email: nzetsreview@mfe.govt.nz

Post: NZ ETS Review Consultation, Ministry for the Environment, PO Box 10362, Wellington 6143

Publishing and releasing submissions

All or part of any written submission (including names of submitters), may be published on the Ministry for the Environment's website, www.mfe.govt.nz. Unless you clearly specify otherwise in your submission, the Ministry will consider that you have consented to website posting of both your submission and your name.

Contents of submissions may be released to the public under the Official Information Act 1982 following requests to the Ministry for the Environment (including via email). Please advise if you have any objection to the release of any information contained in a submission, including commercially sensitive information, and in particular which part(s) you consider should be withheld, together with the reason(s) for withholding the information.

We will take into account all such objections when responding to requests for copies of, and information on, submissions to this document under the Official Information Act.

The Privacy Act 1993 applies certain principles about the collection, use and disclosure of information about individuals by various agencies, including the Ministry for the Environment. It governs access by individuals to information about themselves held by agencies. Any personal information you supply to the Ministry in the course of making a submission will be used by the Ministry only in relation to the matters covered by this document. Please clearly indicate in your submission if you do not wish your name to be included in any summary of submissions that the Ministry may publish.

What happens next?

After receiving submissions, the Ministry will evaluate them and may, where necessary, seek further comment. Your submission will contribute to advice to Ministers.

5 Summary of consultation questions

Existing structural design settings

- F1. What do you consider are the strengths and weaknesses of the New Zealand Emissions Trading Scheme (NZ ETS) forestry settings?
- F2. Do the NZ ETS forestry settings discourage deforestation? If not, what settings do you think would?
- F3. Do the NZ ETS settings incentivise afforestation and replanting? If not, what settings do you think would?
- F4. Does the NZ ETS provide effective incentives for smaller foresters to participate in the scheme? If not, what settings do you think would?
- F5. Does the NZ ETS work well alongside other forestry programmes? If not, how do you think these programmes could be better aligned?
- F6. What changes could be made to NZ ETS forestry sector provisions to improve the scheme?

Future forestry accounting in the NZ ETS

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- F11. How might averaging impact on your business decisions?

Harvested Wood Products

- F12. Do you think deferred liability for emissions from Harvested Wood Products (HWPs) should be recognised domestically? If so, how?
- F13. How might the options for deferred liability for emissions from HWPs impact on your business decisions?

Other

- F14. Do you have any other comments or things you think are important?