

Te Uru Rākau



New Zealand Forest Service

The Forestry ETS – Now and in the Future

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16 June 2021

Outline

- Forestry trends
- Forestry in the ETS
- Transforming the ETS
- Transforming forestry
- Emissions Reduction Plan



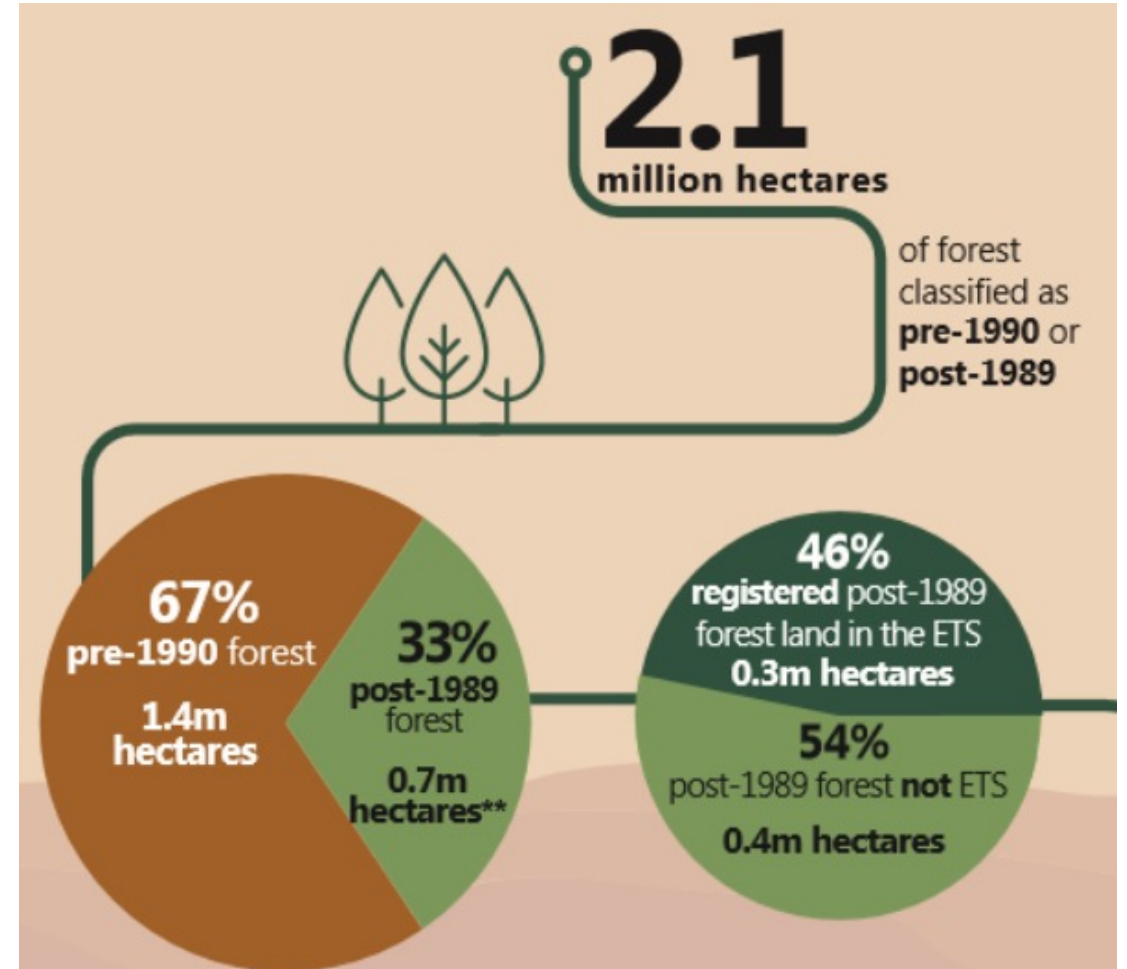
Forestry trends

- 1.66 million hectares of production forest
- 92 million seedlings sold in 2020 (up 3 million from 2019)
- Harvest volumes have increased over last 10 years
- Exports expected to increase to \$6 billion in year to 30 June 2021



Forestry in the ETS

- > 2100 post-1989 forest land participants
- 333,100 ha post-1989 forest land in the ETS – 6.9 million carbon credits claimed last year. Equivalent to carbon emissions from approximately 2.3 million cars in a year
- Estimated 35,000 ha of mainly exotic forest will be established over next two years



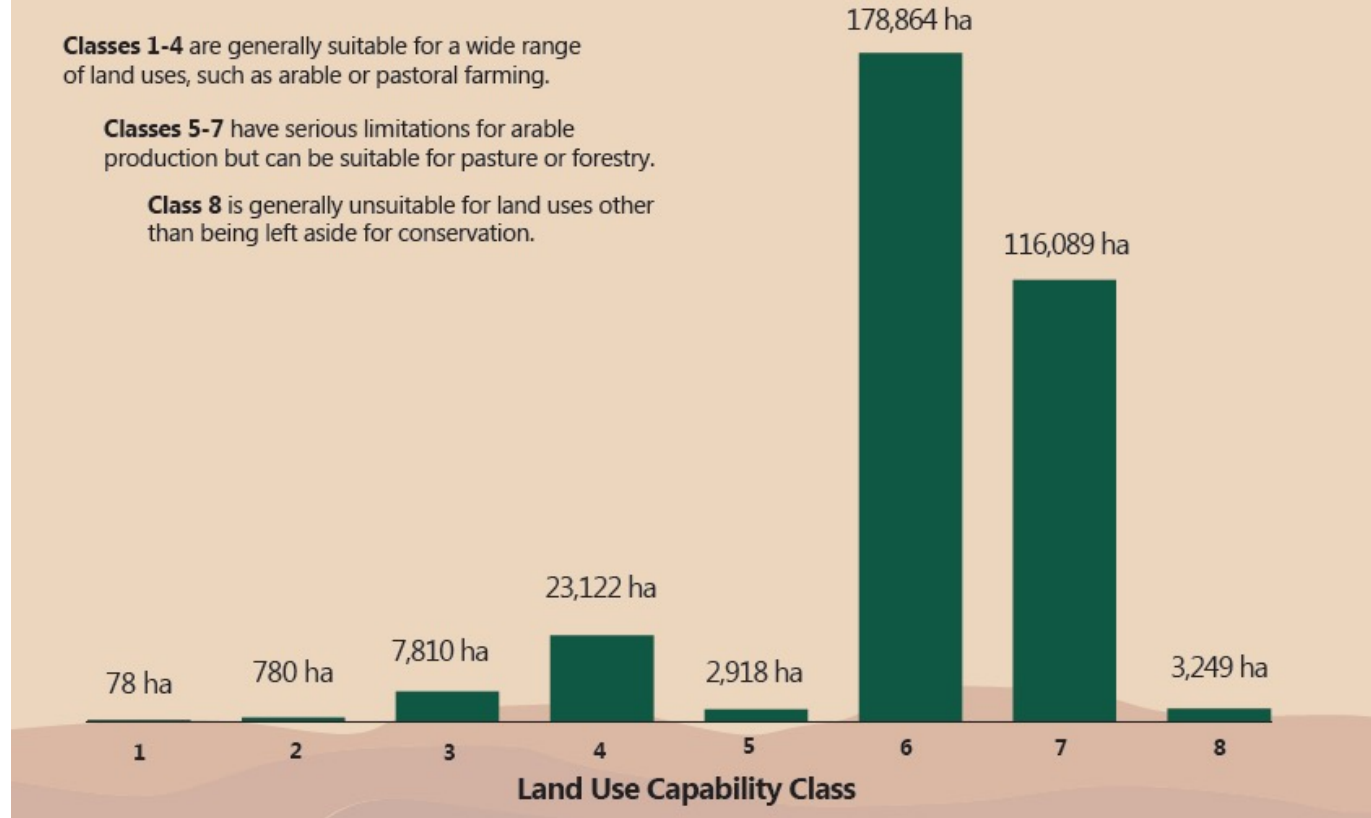
Forestry in the ETS

Post-1989 ETS registered forest land by Land Use Capability class

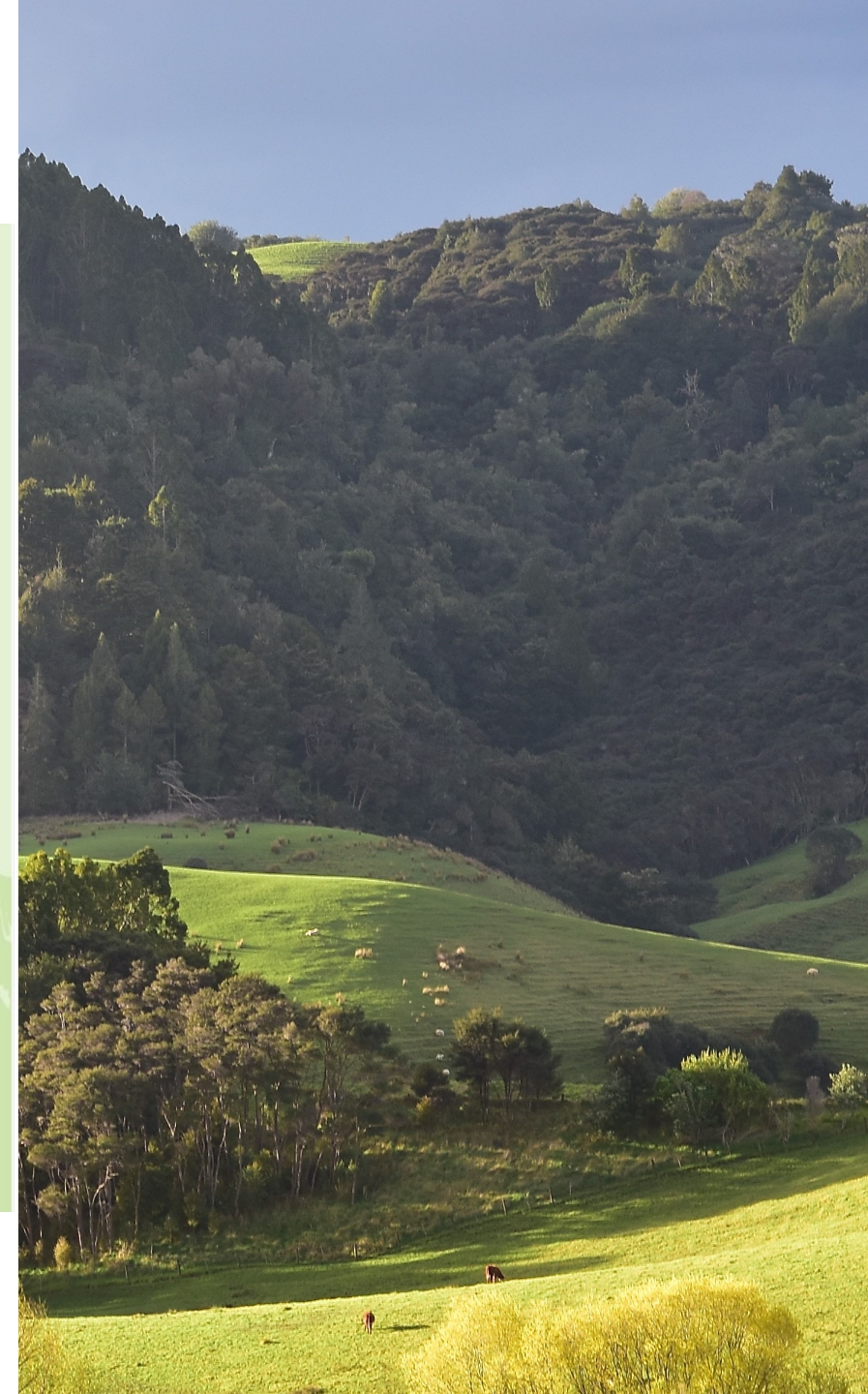
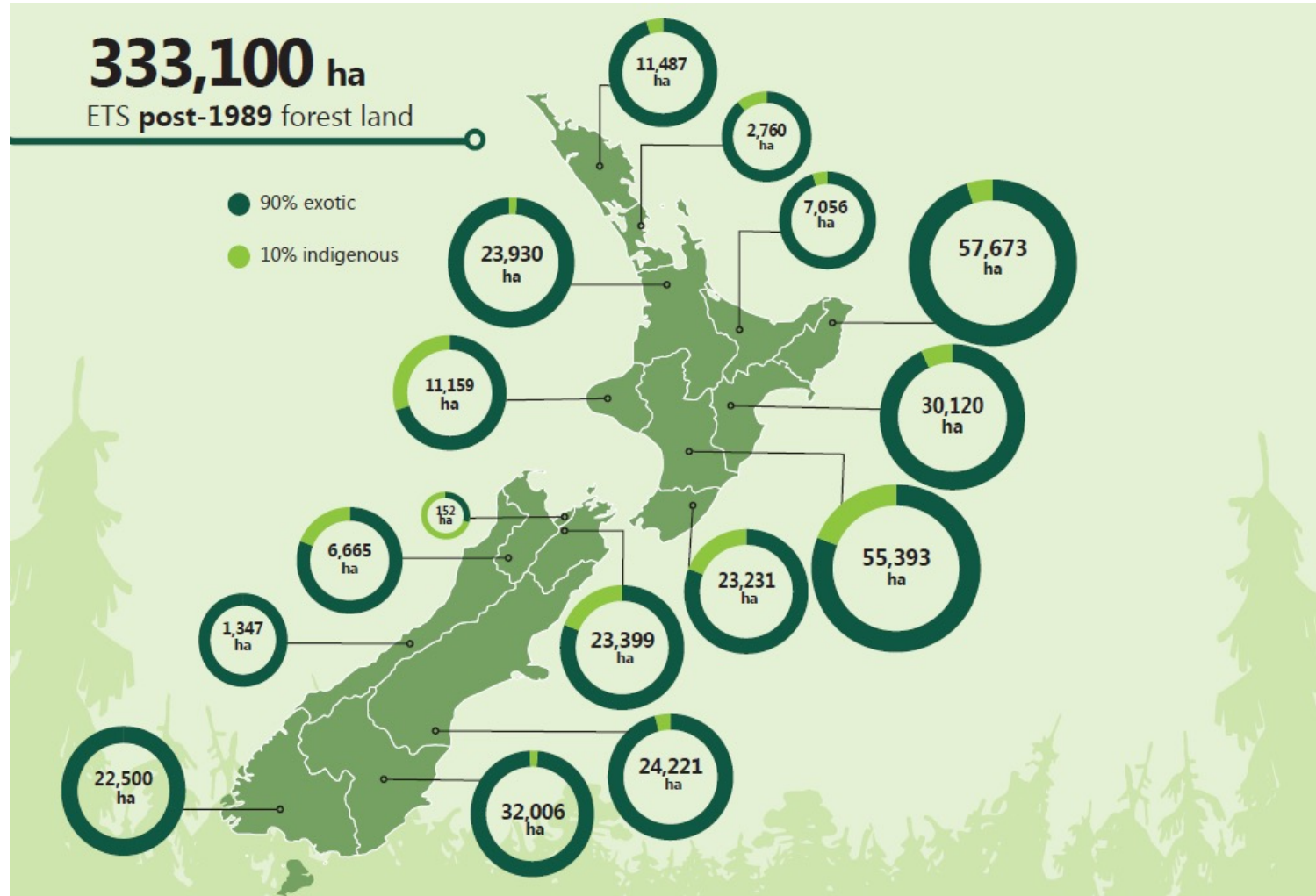
Classes 1-4 are generally suitable for a wide range of land uses, such as arable or pastoral farming.

Classes 5-7 have serious limitations for arable production but can be suitable for pasture or forestry.

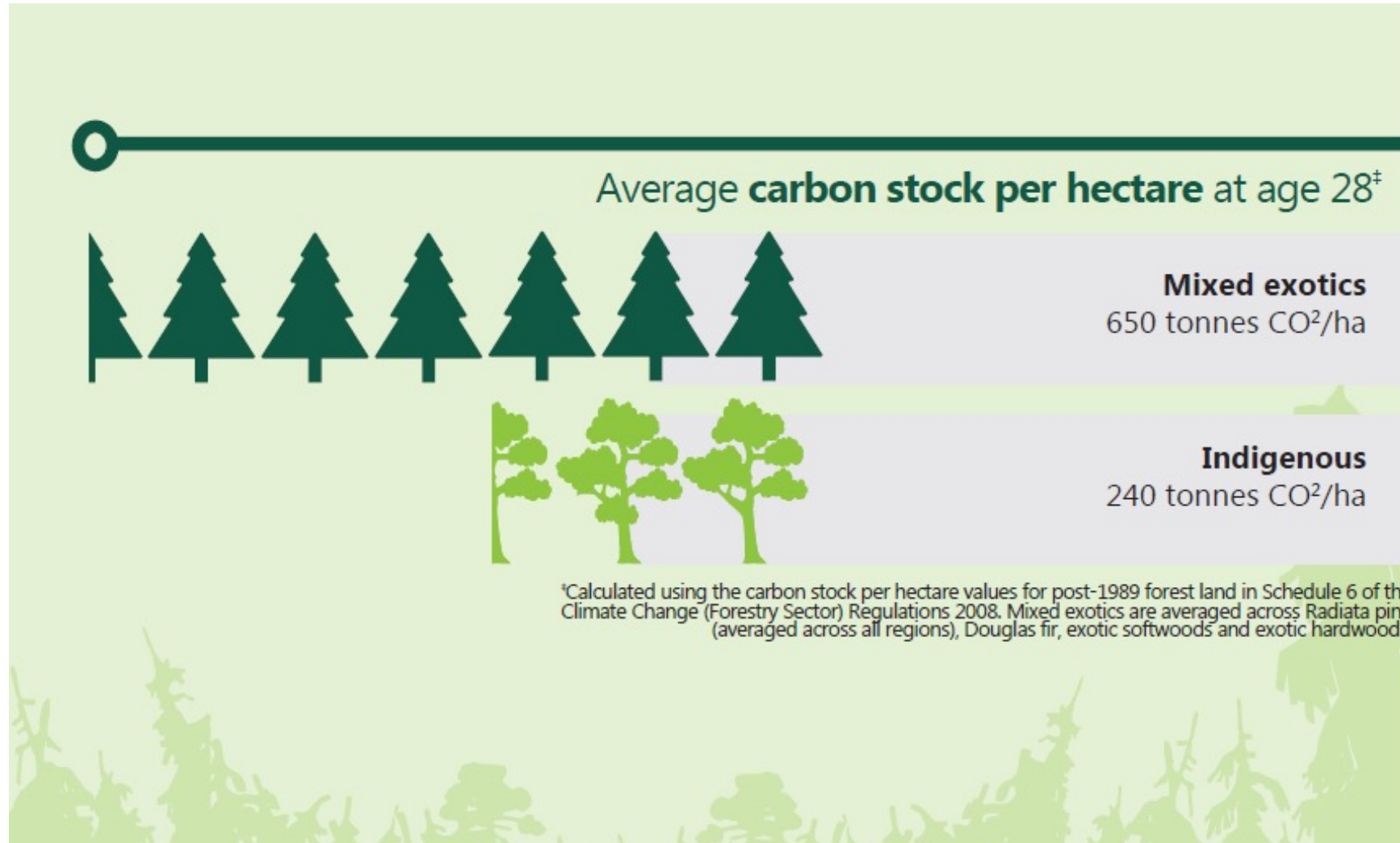
Class 8 is generally unsuitable for land uses other than being left aside for conservation.



Forestry in the ETS



Forestry in the ETS



Combating climate change

- Between 2018 and 2022 ETS registered forests are expected to remove a net 44 million tonnes of CO₂ from the atmosphere – petrol cars will emit around 35 million tonnes CO₂ during this time
- By reducing greenhouse gas emissions forests will help NZ meet around 38% of climate change commitments by 2050
- By 2050 we expect forests in the ETS will remove around 25 million tons of CO₂ annually



The value

- To support delivery of the Government's goals for climate and transition to a low emissions economy by 2035
- A stronger planning and advisory service will be essential to achieve >600,000 ha combined of exotic and indigenous forestry:
 - greater native afforestation would increase the contribution to our targets from 11.4 to 16.9 million tonnes of carbon, worth \$220m
 - better targeting of where an additional 370,000 ha exotics are planted, storing 130 million tonnes of carbon, worth around \$5b
- To maximise full value of future forest asset it will need to be carefully planned to support planting of trees in the right place and growth of the domestic processing industry and emerging bioeconomy



Transforming the ETS

- The changes aim to:
 - make it easier for people to earn NZUs for planting forests
 - encourage afforestation
 - reduce the costs of participating in the ETS
 - enable people to use their land more flexibly
- The changes include:
 - averaging accounting
 - a temporary adverse event exemption
 - a new permanent forest category
 - the ability to 'offset' liabilities for the deforestation of one forest by planting an equivalent forest

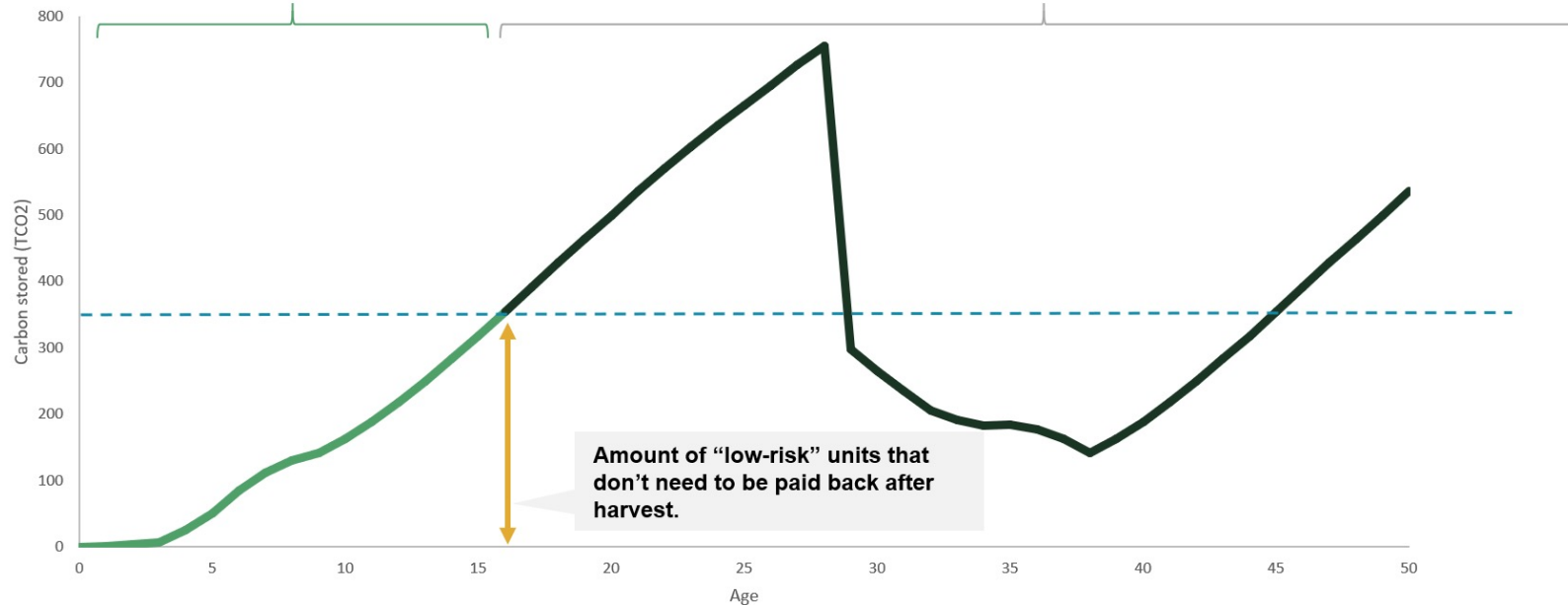


Averaging accounting

- Units will be earned up to the forest's average carbon storage
- Forest owners get to keep more units, as they won't need to pay back units so long as the forest is replanted
- Will make the ETS for forestry simpler for farmers

Earn units as 1st rotation forest grows until forest reaches its long term average carbon storage

Don't earn any more units after reaching the average, don't pay any back after harvest



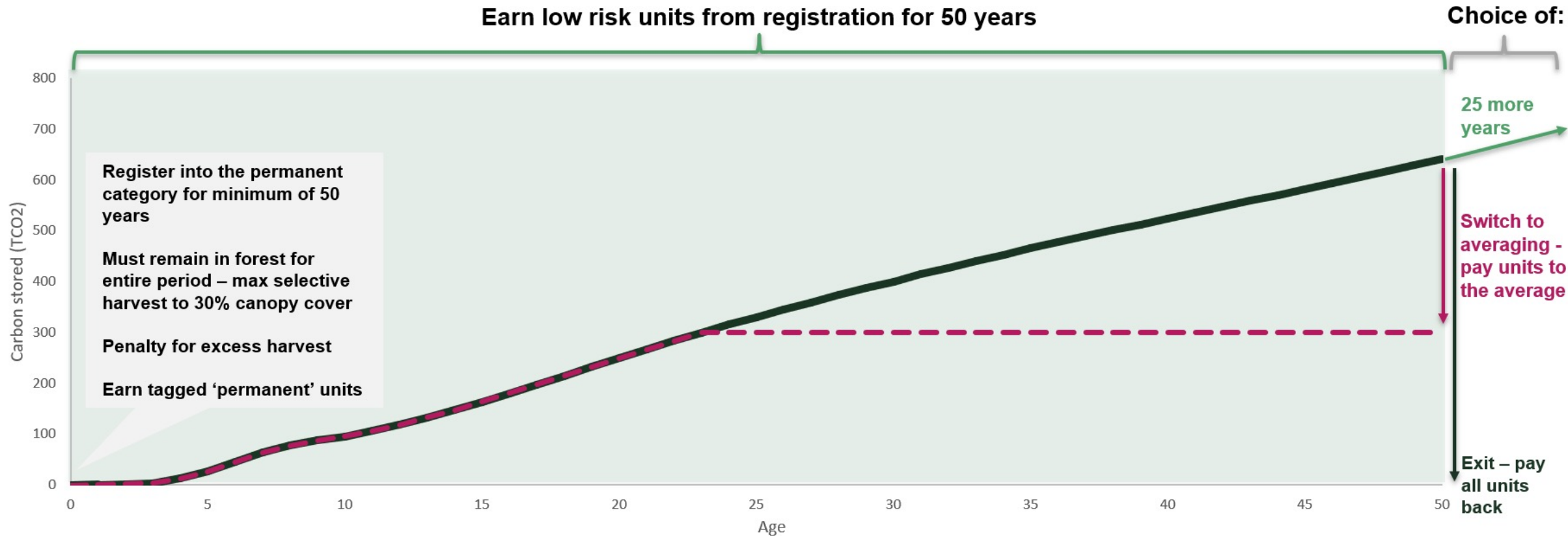
Temporary adverse event exemption

- Intended to de-risk the ETS for post-1989 participants
- Will pause unit entitlements instead of requiring a unit surrender when a natural disaster clears forest
- Events such as fire, windthrow, or disease are eligible
- Clearing associated with the event (eg road building for site access) will be included
- Effective 1 Jan 2023



New permanent forest category

- Permanent Post-1989 category will be available from 1 January 2023
- Forests already registered in the ETS can opt-in to the permanent category at any time



Transforming the ETS

- Benefits of the changes:
 - operational efficiencies
 - reduced barriers to participation and compliance costs
 - increased participant satisfaction
- Two key milestones:
 - June 2022 – first release of new technology system
 - 1 January 2023 – new regulations come into force and system changes to support them



ETS operations

- Voluntary Emissions Returns
 - From 1 January participants submitted 415 VERs – 349 we're approved
 - These have allocated approximately 3.87 million NZUs, worth approximately \$141 million – sequestration equivalent to emissions from more than 1.3 million cars in a year
- Project to update the look-up tables that set out the carbon stock for different forest types (less than 100 ha) will begin in July
- We are looking at processes and resourcing to improve efficiency of application assessments – but thorough information to support applications is vital



Industry Transformation Plan

- World Bank forecasts global demand for timber to quadruple between 2016 and 2050
- Government's commitment to reach net zero emissions of all GHGs (except for biogenic methane) by 2050 is expected to increase demand for wood products, wood bioenergy and bioproducts
- ITP to unlock the the potential of forestry and wood processing to:
 - lift productivity across the supply chain
 - add more value to exports
 - scale up investment where NZ has comparative advantage



Industry Transformation Plan

- Partnership with Māori and stakeholders including industry and unions
- Draft ITP will be released for consultation later in 2021
- Aligning with MPIs *Fit for a better world* roadmap for accelerating economic potential:
 - Wood fibres project
 - Manufacturing clusters
 - Timber Design Centre initiative
- Sustainable Food and Fibre Futures co-funds and shares the risks for a wide range projects across the value chain – emphasis on applied research with a practical application
 - eg Mid-Rise Wood Construction – engineered wood products and prefabrication



Emissions Reduction Plan

- Policies and strategies to meet emissions budgets and make progress towards the 2050 emissions reduction target
- Developing future policy settings to address impact of the Climate Change Commission's proposals on forestry and agriculture
- Government partnering with primary sector and Māori through He Waka Eke Noa
- First ERP due by end of 2021



Questions...

mpi.govt.nz/forestry

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