

NZIPIIM Webinar: MPI Forestry Programme overview and ETS update held on 3 August 2021

1. *Easier said than done with obtaining 30-year-old records [this was around proving land use pre 1990]*

Below are some resources to assist with this:

- a. [Providing information to support your application - factsheet](#)
This document describes which recent ground photos, imagery, documents etc. are useful to provide alongside your application.
- b. [Imagery resources used by Te Uru Rākau - New Zealand Forest Service in geospatial mapping Assessments](#)
This document contains other imagery sources used by Te Uru Rākau - New Zealand Forest Service, and may contain websites or additional links where you can find additional imagery for your property.

2. *Are Walnut trees included in the ETS?*

Fruit or nut trees are not classified as forest species in the Emissions Trading Scheme (ETS).

3. *Will pre 1990 forest be allowed to be used in He waka eke Noa?*

The Partnership is currently exploring whether pre-90 native vegetation should be included in the on-farm sequestration component of He Waka Eke Noa.

4. *What does levy based mean? [I think you mentioned a levy in the early part of your presentation, although I can't see a reference to this in your slides]*

The Partnership is developing a split-gas levy, which has separate prices for short lived gases (methane) and long-lived gases (nitrous oxide). This means farmers will pay a price for their methane and nitrous oxide emissions.

5. *Will exotic forests (radiata pine) be able to register in the permanent forestry category for this premium?*

The premium which New Zealand Units (NZUs) from permanent forests receive is outside the ETS and is determined by the buyers and sellers of the NZUs. It is up to these market participants to determine which permanent forest types receive a premium, and what rate is it paid at.

The ETS gives forestry participants NZUs for the sequestration in their forest, and those with surrender obligations can submit any NZUs. The permanent tag is to assist buyers and sellers in identifying the source of the NZUs.

6. *How does the 1ha internal gaps rule work? Please explain*

When applying to register post-1989 forest land in the ETS, the [Geospatial Mapping Information Standard](#) requires removal of gaps more than 1 ha if their average width is at least 15 metres.

7. *What if a forest was established pre 1990 is exotic and we want to forest and regenerate in indigenous?*

In order for the pre-1990 land to be transitioned in to post-1989, the land must be clear for four years to be considered deforested. Deforestation obligations will apply (more information [can be found here](#)). Once these liabilities are paid, and Te Uru Rakau – New Zealand Forest Service is satisfied that the land no longer contains pre-1990 forest, it can be registered for post-1989 activity.

8. *Is there any discussion about offering a premium or greater incentive to plant permanent native forestry given substantially larger establishment costs and low carbon returns in comparison to exotics?*

The ETS is constrained in what it is able to consider when determining NZU allocations as it can only recognise the carbon sequestration and emissions. However, we have included the permanent tagged NZUs, which we know receive a premium.

We are currently designing a work programme to update the yield tables which is likely to consider how we can 'classify' native forest types into different forest types. This will alter the number of NZUs the forest will receive as 'tall' native forests sequesters more carbon.

9. *Does the new permanent category use the same native look up table - i.e. earn credits up to 50 years?*

At this stage the expectation is that the permanent category will use the same yield tables as are in the regulations.

However, we acknowledge the need to consider how non-harvested forests behave when grown for longer than 50 years and expect the yield table update programmes to include this consideration.

10. *Before averaging accounting came in, are there possible risks to farm owners who sold forestry carbon farming rights in return for the timber at harvest, to then be left with the liability of repaying carbon that was paid out to the investor, as soon as the farm owner goes to harvest the forest?*

When post-1989 forest land is entered into the ETS it has a unit balance (ie the running net number of NZUs received). This runs with the forest land.

If the forest land is returned to the landowner still in the ETS, they will become liable for the unit balance. They will need to surrender units if the land is harvested or deforested/deregistered.

This has been the case since the ETS was introduced in 2008.

In most cases, averaging will remove the surrender obligation on harvesting. However, the deforestation/deregistration surrender requirement remains, and this will be the responsibility with who-ever the participant is when the deforestation/deregistration occurs.

11. *If post 1989 forest not registered in the ETS is harvested, can the new forest claim credits?*

Under current carbon stock change accounting, if a second rotation forest is registered now for the ETS, it can start earning NZUs when the carbon storage from the replanted forest overtakes the carbon emissions from the residual decay from the first rotation.

12. *Is the carbon look up table going to be updated?*

We are currently designing a work programme to update the yield tables. This will involve new research and public engagement on the focus of the research. Any proposed tables will go through consultation. (Note: this will take a few years).

13. *If I am using the averaging model for a pine forest, am I expecting 16 years or 17 years of NZUs? Recent information produced by MPI has contradicted itself and it is currently unclear*

Cabinet is expected to make decisions on the settings for averaging shortly. The [discussion document](#) released earlier this year represents the current consideration of this.

14. *What happens after the 50-year period of a permanent forest listed under the stock change accounting method (2023)? i.e. Do you stop accruing carbon after 50 years of permanent?*

- a. Currently if a forest in the ETS 'runs out' of yield table (age 35 for exotic hard woods, age 50 for other forest types) no more units are allocated. For most forest types this will first become an issue in the early 2040s. However, we do acknowledge that this lack of certainty will shape investment decisions in the near term. We also acknowledge the need to consider how non-harvested and extended rotation forests behave when and expect the yield table update programmes to include this.
- b. After 50 years, the participant can decide if they wish to remain in the Permanent category, move to averaging (and surrender some units) or leave the ETS (and surrender all units received)

15. *Is there a time limit on reaching the minimum 5 m height requirement? Thanks*

There is no time limit. Forest species are defined in the Climate Change Response Act (2002) in section 4(1) as "a tree species capable of reaching at least 5 metres in height at maturity in the place where it is located, but does not include tree species grown or managed primarily for the production of fruit or nut crops".

16. *Is the 15-metre gap measured between stems or between canopies?*

Between tree crown canopies.

17. *Can you join blocks up on separate titles to exceed 100ha? Or must it be on a single property?*

Yes, submitted CAAs can go over more than one title (e.g. you can have one submitted CAA which has 50 ha on one title and 50 ha on another title).

18. *How much do we know about individual native species ability to sequester carbon i.e what makes up the indigenous numbers in the look-up tables?*

For indigenous forest, values of carbon stocks used to generate the default carbon tables have been taken from areas of regenerating indigenous shrublands. Data for regenerating shrublands are dominated by the forest species manuka/kanuka, as this shrubland type accounts for about 70 percent of the total regenerating indigenous area in New Zealand. The tables represent the average increase in carbon stocks on a given hectare of land since the time regeneration first began.

19. *Is there a minimum stocking rate/stand density to keep in mind for new planting?*

To be considered forest land in the ETS the forest must have 30 percent crown cover prior to harvest.

20. *Will we be able to nominate average age? Or is this still under consultation?*

No, each forest type (e.g. *Pinus radiata*, exotic hardwood) will have a default average. The final details of that what average will be are still under consideration.

21. *Is there still talk of changing Poplar from a hardwood to a softwood classification?*

We have commissioned research into the carbon storage in space planted poplars and willows (e.g. erosion control plantings). As erosion control plantings are at a lower density than fully stocked forest, it is likely to have a lower carbon storage per hectare.

Before any revisions to the table are made, we will consult on the final proposals.

22. *Does adverse event exemption cover flooding?*

Cabinet is expected to make decisions on the settings for temporary adverse shortly. The [discussion document](#) released earlier this year represents the current consideration of this.

23. *How confident is MPI that the new averaging scheme will be implemented in 2023*

The Emissions Trading Reform Act sets out that averaging will be in place from 1 January 2023. This is the timeline MPI is working to.

24. *Of the tools that calculate GHG emissions at a farm level, several have carbon sequestration components. Only 2 – Overseer & Farmax have sequestration components which operate within the ETS/MPI Look up tables. Is MPI aware of this.*

Yes. The main purpose of these tools is to help farmers understand their total greenhouse gas emissions and how they might reduce their emissions.

25. *Several of these calculators (including MfE) use an average figure of 34 tonnes CO₂e/ha for pines – well above the MPI lookup tables figures. Where does this figure come from?*

Without knowing the specific calculators being referred to it is to determine the exact source. However, this figure roughly aligns with average annual carbon stock in the Biomass of a 28 year old forest as reported in [National Inventory Report](#).

26. *HWEN is looking at incorporating native forests and “scrub”, and possibly riparian strips, as part of the sequestration offset. If this happens, presumably these will also be incorporated within the ETS?*

He Waka Eke Noa is developing a separate mechanism from the ETS to recognise carbon sequestration on farms as part of the farm-level pricing system for agricultural GHG emissions. It is unclear whether there will be any implications for the ETS.

27. *Several farmers are looking to claim post 1989 regenerating native forest - but being thwarted by MPI using very old aerial/satellite photos which are very difficult to interpret. What actions are MPI taking to address this.*

MPI uses a range of historical imagery to build a picture of the land from the early 1980s to present-day. The list of imagery resources that we use are found on the website [here](#). Where it is available, we use Retrolens imagery alongside other historical images that MPI holds. For imagery from 1980-2000 the Retrolens imagery is the most valuable as it is the highest resolution available to enable distinguishing species and mapping boundaries. Applicants can also source additional historical imagery from other sources and supply it upfront with their application (e.g. regional or district councils, or aerial imagery companies such as Aerial Surveys Limited). Any information provided upfront with the application will be used in the eligibility assessment.

28. *The cost containment fund – my understanding is that this is set at 7 million NZUs, but the government must have the carbon to back these – some commentators have said the govt does not have these carbon reserves. Is this correct?*

Up to a maximum of seven million cost containment reserve (CCR) units could be sold at auctions during 2021. Section 30IA of the Climate Change Response Act 2002 details situations where units sold from the CCR would need to be ‘backed’. This occurs when units sold from the CCR have caused the emissions budget for an emissions budget period to be exceeded.

The mechanism for assessing emissions against emissions budgets is not finalised. We anticipate that any units sold from the CCR during 2021 will not need to be backed as 2021 is outside of the first emissions budget period of 2022-2025.

The term ‘carbon reserves’ is a bit unclear in this context. What being ‘backed’ means is ensuring, or enter into agreements that require, that the emission of greenhouse gases is reduced, or the removal of greenhouse gases from the atmosphere is increased, by 1 tonne of carbon dioxide equivalent for each of the units, whether by domestic means or offshore mitigation.

Work is underway on identifying sources of mitigation for backing units.

29. *Let's assume the first rotation forest was planted in 1992 and was harvested last year. And let's assume that it was not registered in the ETS. Can the second rotation forest now register for credits? If so, are there offsetting carbon liabilities associated with the first rotation forest that has been harvested?*

Under current carbon stock change accounting, if a second rotation forests is registered now for the ETS, it can start earning NZUs when the carbon storage from the replanted forest overtakes the carbon emissions from the residual decay from the first rotation.

30. *Can a 2nd rotation forest register under averaging?*

A second rotation forest can register under averaging. Any entitlement to units will depend on the final decisions on averaging which we expect shortly.