

New Zealand Carbon Forests – the next sizzle act?

In late- 2009 the New Zealand government passed the world's first Government legislated, Kyoto compliant Emission Trading Scheme (ETS) which allows for the trade of tree based carbon offsets.

This was the latest saga in what has been a tortuous route in New Zealand for Kyoto and forests. The country was an early signatory to Kyoto; reportedly based on an estimate it could make around \$500 million out of the deal. It was initially going to commandeer forest carbon credits, even from private forests, until a revolt of forest owners encouraged it to change its mind.

A reversal of information saw this estimate change from a credit of \$500 million to an equivalent deficit. This spooked politicians. The Government then used a little (or unknown) Cabinet Paper to apply punitive penalties to owners felling pre- 1990 planted forests, if land use was changed. This has stymied profitable conversion of sub- optimal forests to dairy farms or sub-divisions.

The Government then established some complicated rules covering post- 1989 planted forests, and threw in another option called a "Permanent Forest Sink Initiative" (PFSI). This was initially a way to sell forest carbon credits so long as the Government had a 100 year hold on land use. This was later reduced to 50 years.

Forest carbon projects (including funding initiatives from major USA and UK- based funds) were announced around 2007, but failed and left seedling nurseries struggling to survive with unsold stock -- twice.

In 2009 some forest carbon forest credits were sold; one lot to the government of Norway under voluntary arrangements. In early 2010 a number of "early mover" investors were again examining options.

Confused? Who is not?

However, now the November 2009 legislation is in place, it at least 'stabilises' the topsy turvy meanderings of New Zealand forest carbon rules over the last decade. Perhaps now the action can begin? A new DANA publication on the New Zealand forest industry sector includes a chapter on the history and possible future of the forestry carbon offset trade industry post- Copenhagen.

Source: 2010 New Zealand Forest Products Industry Review. DANA Ltd.
See www.dana.co.nz or contact jan@dana.co.nz