

## Current Opportunities In The Emission Trading Scheme

At writing, we are in lockdown, which for many presents an excellent opportunity to take stock and think about many the opportunities that are available when contemplating short and long term forest plans. Some of the funding support options that are currently offered may not be available for much longer and are worth considering.

### Emission Trading Scheme (ETS) Carbon Model

Many readers will be familiar with, or may be a participant in the ETS and will have a good understanding of the scheme and how it works. You have probably heard a reasonable amount about the coming changes that are currently before Parliament relating to carbon allocation. These will replace the old ‘sawtooth’ model. These are:

- Averaging – forests allocated carbon up to the average volume of stored carbon over multiple rotations. No surrender liability at harvest, nor if forest affected by an adverse event (e.g. wind or fire damage) provided it is replanted.
- Permanent – forest committed to grow for 50 years. Harvesting is permitted as long as canopy cover does not fall below 30%. No surrender liability if an adverse event occurs provided forest is replanted.

The table below summarises what opportunities will be available depending on the registration date of your Post 1989 forest:

Registered before 2019	Registered 2019-2020	Registered after 2020
Sawtooth Permanent	Sawtooth Averaging Permanent	Averaging Permanent

*Table 1: Summary of carbon model opportunities dependant on ETS registration date.*

For many, the option of averaging is a great way to achieve returns from trading carbon, without the financial liability associated with ‘sawtooth’. However, for post-1989 older or second rotation forests, the opportunities under averaging are limited and forest owners should consider registering under sawtooth while they still can (before the end of 2020).

There are some risks associated with the ETS, and it is important these are taken into account. One aspect worth noting is that no financial liability is created until credits are sold. This means there is an opportunity to hold on to credits and wait until the market is favourable or a strategy that manages any risk is decided.

The best solution for a forest owner always requires a case by case evaluation. When considering an ETS registration, a forest owner should think about:

- How can opportunities in the ETS supplement my forest investment income
- How much area of eligible forest they have available.
- The species and age class composition of the forest area.
- Short and long-term intentions for the forest or surrounding land in ownership.

- Whether or not the upfront administrative cost of registering in the scheme justifies keeping your options open for potential upside further down the track.

## One Billion Trees

There is a misconception out there that the 1BT is all about blanket pine planting; this is certainly not the case. There are some great opportunities shown in Table 2. for anyone thinking about planting more than 1ha of contiguous, non-forest land. The table below summarises the various grants available

Type of planting	Size	Grant rate \$/ha	Initial SPH
Indigenous mix	1-300ha	\$4,000	2,500 – 10,000
Manuka/Kanuka	5-300ha	\$1,800	1,000 - 3,000
Indigenous natural reversion	5-300ha	\$1,000	N/A
Exotic	5-300ha	\$1,500	1,000- 2,500

Table 2: Summary of available 1BT grant assistance for a variety of species.

A mix of amenity and/or timber species could be included in an application as long as it is non-forest land and meets the size criteria specified in the table.

The grants will only be available while the money is there and with minimal cost associated with applying there is not much to lose.

## Afforestation Grant Scheme (AGS)

Forests that utilised funding through the AGS may be able to register their forests in the ETS this year depending on the commencement date specified in their contract. For the reasons described above it could be in your interests to register this area into ETS sooner rather than later to keep your options open.

For any forests that still have some years before they can register in the ETS, there is an option to buy your way back out. Which depending on when you registered in the AGS is could be worthwhile. For example, a forest planted in 2013 could return \$2,825/ha at a carbon price of \$25/NZU from CP3 alone. It is likely this would not have to be surrendered at harvest under 'sawtooth' or 'averaging' provided the forest is replanted.

If you would like any clarification on the opportunities described above, please don't hesitate to get in touch.