



FOREST360

GROWING YOUR FUTURE

ETS Newsletter August 2022

Changes to ETS Carbon Accounting Models

As you will be aware, the carbon models available for post-1989 forest land registered in the ETS will change from 1 January 2023. This may affect the number of units you earn or need to surrender, and you should consider your options carefully.

Depending on when you registered your forest land into the ETS you must either:

- Continue using stock change/sawtooth accounting
- Make a one-off choice between stock change/sawtooth and averaging accounting, or
- Use averaging accounting

The options available to you and decisions you will need to make depend on when your forest land was registered in the ETS.

- For forest land registered before **1 January 2019**, continue to use stock change/sawtooth accounting.
- For forest land registered between **1 January 2019 and 31 December 2022** you are currently registered under stock change/sawtooth accounting. However, you can decide to switch to 'averaging' accounting and potentially the 'permanent' accounting when it is introduced on 1 January 2023. You will only have one chance to make this decision, and this must be completed by 30 June 2023, or you must continue using stock change/sawtooth accounting for that forest land.
- For forest land registered from **1 January 2023 onwards** you must use averaging accounting unless you register the forest into the permanent forest category.

MPI released a consultation document in March 2022 that proposed restrictions on exotic forests being registered into the new permanent forest category. The full document can be read on the MPI website [here](#). Following this consultation, the Minister for Climate Change advised that it is unlikely they will have a decision regarding closing the permanent category to exotics on 1 January 2023 and there are several objectives which are to be explored before any further decisions are made. Further details about this category are included further on in this newsletter.

You may choose different carbon accounting models for different parts of your registration. For more information on the different carbon accounting models please read the following article: [What carbon accounting model is best for my forest in the Emissions Trading Scheme?](#)

If your forest areas were registered between **1 January 2019 and 31 December 2022** and you are not sure what model to choose from please contact us via email admin@forest360.nz to arrange a meeting or phone call with one of our team. If you are clear on the model you would like to choose for these areas you will receive more information on this process towards the end of the year.

Permanent forest

The permanent post-1989 forest category will be available from 1 January 2023. This is for forests that will not be clear-felled for at least 50 years. Carbon flow for permanent forests will be calculated using stock change/sawtooth accounting. They will earn units for as long as the forest is in the ground and the carbon stock is increasing. If you clear-fell harvest or deforest within the 50-year period, you will be liable for a penalty. Limited harvesting will be allowed without penalty if certain criteria are met, although you may need to account for the carbon loss from this harvesting. The details of this will be set out in the forestry regulations. Penalties will not apply if:

- The harvesting or deforestation was beyond your control
- You could not have reasonably foreseen the harvesting or deforestation, and
- You could not have reasonable taken steps to prevent the harvesting or deforestation

When the 50-year period expires you have three options:

- Sign up for another 25 years. This choice will occur again every 25 years after that date.
- Transition to averaging accounting. A unit surrender would be required.
- Remove the area from the ETS, surrendering the unit balance.

The NZUs accumulated through the permanent forest category will be tagged as coming from a permanent forest.

The permanent post-1989 forest category is replacing the Permanent Forest Sink Initiative (PFSI). So, if you hold a PFSI covenant, in 2023 you will need to:

- Move into the new permanent post-1989 forest category
- Move into the averaging category, or
- Leave the ETS and surrender all units

Mandatory Emissions Returns

The current ETS compliance period will end on 31 December 2022. All ETS participants must complete a mandatory emissions return by the end of June 2023. We will send out more information about this process and what you need to do towards the end of the year. However, if you have any questions regarding this process please contact us.

Kind regards,

Forest360 Land Use and ETS Team.

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