

Carbon Accounting Categories – Risks & Benefits

There are risks and benefits which need to be considered when choosing which carbon accounting method might be right for each area of your forest.

Areas registered from 1 January 2023 will be entered under averaging, unless a decision is made to enter them as permanent forestry either at the application stage or following the approval of an application. You can move from averaging to permanent at any time, but you cannot move any areas from permanent forestry to averaging, so this decision should be made carefully.

Under all carbon accounting categories, the adverse effects clause will apply. This means that if your forest is affected by an adverse event, no surrender liability exists as long as the forest is replanted. You will not be able to earn units on the affected area until the new trees reach the same age as the trees which were removed.

Averaging Carbon Accounting (Standard Forestry)

The table below shows the assumed harvest and average ages, provided by MPI. Averaging carbon accounting can only be applied to first rotation forests which have not yet reached their average age.

Under averaging, once the forest reaches the average age the forest type is 'locked in' and any changes made for the second rotation will not be accounted for i.e., changing the species.

Species	Assumed Harvest Age	Average Age	Carbon allocation/ha
<i>Pinus radiata</i>	28	16	398NZU
Douglas fir	47	26	436NZU
Exotic softwood	40	22	283NZU
Exotic hardwood	21	12	320NZU
Indigenous	50	23	194NZU

Table 1: Indicative allocation under averaging using MPI standard carbon tables. Average assumed harvest age and average age provided by MPI.

Risks:

- No carbon is allocated after the average age is reached, or on subsequent rotations.
- If the second rotation is longer than the first, no additional units will be allocated.

Benefits:

- No surrender obligations at harvest, provided the forest is replanted and remains within the ETS.
- Reduced administrative requirements for participants.
- Units can be traded with less risk, provided the forest remains in the ETS.
- Flexible harvesting
 - For a *Pinus radiata* example, if the trees are harvested between 25 & 35 years of age, the carbon allocation is not affected.
 - Harvesting can occur at a different ages in subsequent rotations without units needing to be surrendered.

Permanent Carbon Accounting (Permanent Forestry)

Permanent forests must be grown for a minimum of fifty years. If the forest is harvested before this period, penalties apply which are set for each forest type. If the forest is harvested after the fifty-year period, units must be surrendered back to the average age for that forest type. Selective harvesting can take place, provided 30% canopy cover is maintained in each hectare and the Forest Land Definition (FLD) still met.

If you are currently registered in the PFSI and do not apply to move into the ETS between 1 January 2023 and 31 December 2023 then your eligible forest land will be moved into the permanent category. For PFSI forests, the 50-year period starts from the date the forest sink covenant was registered. If you move PFSI forest land into averaging carbon accounting and later want to elect to move into the permanent category, the same rule applies provided the forest has never been clear-felled.

Species	Carbon allocation/ha after 50yrs
<i>Pinus radiata</i>	1,345NZU
Douglas fir	957NZU
Exotic softwood	641NZU
Exotic hardwood*	729NZU*
Indigenous	323NZU

Table 2: Indicative allocation under Permanent Forestry, MPI standard carbon tables.

*The MPI standard carbon tables only go to 35 years for Exotic Hardwoods currently.

Risks:

- Clear-felling for harvest or clearing vegetation for other reasons carries substantial penalties.
- Clearing will need to be accounted for in emissions returns if the canopy cover drops below 30%.
- Committing to growing a forest for 50-years reduces land use optionality.

Benefits:

- Full allocation of units each year while the forest is growing and sequestering carbon.
- Potentially more valuable NZUs acknowledging 'permanent' carbon storage.
- Could be considered a way to prevent future landowners clearing vegetation.