

6th October 2009

Submission from Kyoto Forestry Association and Roger Dickie (NZ) Ltd

To the

Climate Change Response (Moderated Emissions Trading) Amendment Bill

To the Climate Change Response Select Committee.

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We wish to appear before the Committee. Daytime contact number 06 3465 329, 0274 428 687

Roger Dickie will appear, Spokesman and Director for the Kyoto Forestry Association, also Steve Wilton Director for Kyoto Forestry Association.

The Kyoto Forestry Association has more than 30,000 members, our members own more than 250,000 ha of New Zealand's 570,000 ha Kyoto Forest estate. We have consulted widely with our membership branches on the Climate Change Amendment Bill

Submission

We are generally in favour of the amendments to the bill as presented in so far as they relate to post 1989 forestry.

However, we have two concerns that relate directly to the affect of the bill on the Government's desire to have increased new carbon forest planting.

During the 1990 forestry boom, new planting levels peaked at 98,000 ha in 1995 and averaged 65,000 ha per annum for eight years over that period. Virtually all of the investment cost for this new planting was supplied by private investment without any subsidy from Government.

Undoubtedly, the private sector could again play a significant role in the new forest planting that is required and desired to meet our 2020 emissions targets. Private forest investors could easily plant 50,000 to 100,000 ha per annum provided the legislative climate encouraged this investment.

Our areas of concern with the proposed amendments are:

1. The commitment period reserve (CPR) dictates how many NZUs can be converted to AAUs and traded internationally. The CPR is about 30 million AAUs and 7 million of these have already been allocated. The pre 1990 forest land allocation plan will allocate 21 million NZUs during CP1 to pre 1990 forest owners. Because the proposed amended bill now delays entry of most New Zealand emitters to the ETS there will be a very limited domestic market to sell NZUs into. Therefore it is reasonable and logical to assume that most of the pre 1990 forest owners will convert their 21 million NZUs to AAUs and sell them offshore. This will quickly exhaust the CPR limit and prevent others in particular new forest owners from converting their NZUs and trading internationally.

The outcome of this will be that private forest investors will see that they do not have a truly free international trading environment as they will have no realistic buyers for their credits. They will simply vote with their feet and not invest in new planting.

2. Another negative signal for forest investors that comes from the proposed amendment is the following statement made in the explanatory note to the amendment bill *“it may be necessary to ban exports from the forestry sector in the future in the event that the NZ ETS and the CPRS (proposed Australian emissions scheme) are linked. In this case, foresters would be able to sell units to the Australasian market”*. Clearly such statements will make more potential forest investors nervous as nothing is known about what scheme the Australians will come up with, and what demand there will be in the Australian market.

In summary, New Zealand forest investors have the ability to plant large areas of new forest, however, they need to be enthused and encouraged to do this. The points mentioned in 1) and 2) (above) do nothing to engender enthusiasm or certainty for the future.

Because of the long term of forest investment (28 years plus), forest owners face risk that most other investments don't carry. New forest planting in New Zealand over the past four years has been minimal (less than 4,000 ha per

annum) because of log pricing and negative signal on forest carbon trading. The only way to rebuild confidence is to put no impediments in the way of a potential investors decision to enter the forest industry. The amended bill as proposed does not do this and unless changed we predict that the area of new forest planting will be significantly reduced.

Roger Dickie

Kyoto Forestry Association.