



MEDIA STATEMENT

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For Immediate Release

FOREST INDUSTRY ENCOURAGED BY ETS REVIEW COMMITTEE REPORT

The select committee report recommending that New Zealand pursue an emissions trading scheme as the primary economic mechanism in its response to climate change, is welcomed the Kyoto Forestry Association (KFA) said today.

KFA spokesman, Roger Dickie, said the report's recommendation that "international linkages be adopted between a New Zealand emissions trading scheme and other Kyoto-compliant schemes" is also sensible from an economic standpoint and will encourage new forest planting.

Mr Dickie said the committee's statement that "A price cap in a New Zealand ETS could create a negative incentive for post-1989 forest investors in particular", is also a positive signal for new planting.

The Kyoto Forestry Association have always maintained that a price cap would be a huge disincentive for new forest planting and it is encouraging to see that whilst the report canvasses a short term price cap it is not supported by the Labour, Maori, Act or Green Parties. The report also notes "However, in the long term, price caps stand in the way of market development and shield business from the real price of carbon to the economy. If a short-term cap is introduced a clear exit strategy is critical for maintaining market confidence and development."

Mr Dickie said it should be noted that any price cap, even a short term one will be a disincentive to new forest planting because it sends a message to forest investors that government is capable of manipulating the market at any time. This is not a signal that gives confidence to a long term forestry investor.

The report also highlighted the need for certainty and stated “We recommend to the Government that certainty for the forestry industry be legislated for as soon as possible to ensure that further planting is not inhibited.” Mr Dickie said that while this statement was encouraging, it is probably now too late for seed to be planted in time to provide the seedlings for a significant planting programme next winter.

Mr Dickie said the importance of forestry should not be underestimated by the New Zealand public in regard to New Zealand meeting its international emissions targets.

Each hectare of Kyoto compliant forest can sequester 25 plus tonnes of CO₂ per annum, if 1 million ha of forest was planted by 2020 then 25 million tonnes of CO₂ per annum could be sequestered shortly after 2020.

He noted that in 1990 New Zealand had net annual emissions of 44 million tonnes, now we have approximately 55 million tonnes and by 2020 the government would like our annual net emissions to be no more than 40 million tonnes and preferably less.

<http://www.med.govt.nz/upload/68779/Energy%20Greenhouse%20Gas%20Emissions%202009.pdf>

Mr Dickie said that in the eight years from 1992 to 1999 New Zealand achieved an average of 65,000 ha of new forest planting per annum and almost all of this was funded by private investors. In the peak years 84,000 ha and 98,000 ha were planted. This would imply that with the right incentives the planting of 1 million ha in 11 to 14 years is quite achievable. <http://www.maf.govt.nz/mafnet/publications/nefd/national-exotic-forest-2008/2008-nefd-9a-graphs.pdf>

The KFA represents the more than 30,000 ordinary New Zealanders and forestry companies who risked more than \$100 million per annum of their own capital to invest in 250,000 ha of New Zealand's 570,000 ha Kyoto forestry estate.

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