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NZ Forest Owners Association
Media release
Immediate

Forest industry seeks urgent talks on ETS

For more information, please ring Peter Berg, Tel 021 421 291

Forest owners are seeking an urgent meeting with government ministers to discuss the impact of the freezing of the emission trading scheme (ETS).

Forestry was the first sector to enter the ETS. Since January 1, owners of Kyoto forests (those planted since 1989) have been able to trade in emission units.

"Because forestry has such a major role to play in mitigating New Zealand's greenhouse gas emissions we have been immersed in climate change policy development for nearly a decade," says NZ Forest Owners Association president Peter Berg.

"By the time Labour passed the ETS legislation, our businesses had adapted to the reality that all parties in parliament apart from Act supported an ETS in which forestry would have a major role. One of our major concerns was addressed by National's promise to allow for forest offsetting.

"So it is fair to say we are concerned about the implications of National's Confidence and Supply Agreement with Act. Although this provides for the implementation of the ETS to be delayed while all aspects of climate change policy are reviewed, for forest owners this is in fact a repeal, as we are already in the scheme."

He says carbon credit contracts worth hundreds of millions of dollars were on the table at the time of the election. Some of these involve major emitting industries buying credits that could fund the planting of new forests. These sales may no longer go ahead unless the issue is resolved quickly.

"Finding a way forward is going to be complex, but it needs to be attended to urgently. We will be impressing this on the ministers," says Mr Berg.

"The government already has contracts with land owners under the permanent forest sinks initiative. Restrictions on converting pre-Kyoto forests to other uses, and the related compensation package, all hinge on the ETS.

"Having such a volatile policy environment harms New Zealand's credibility with international investors and makes it impossible for businesses to plan. Clearly most land owners with plans for renewed tree planting will have put these on hold until the situation is clarified."

He says the preference of forest owners would have been to keep forestry in the ETS, but the NZ emission units provided for in the ETS will be valueless if there is no market.

"We will be urging government to reinstate the signals already developed for forestry so that forest owners who are prepared to create and maintain carbon stocks for the country are rewarded. The challenge will be to do this in a way that will not be inconsistent with any future decisions."

Unlike those who have opposed both a carbon tax and an ETS, the forest industry has supported both, says Mr Berg, explaining that the industry's concerns are not to do with the mechanism but with the uncertainty.

"Our concern is that after years of negotiation and debate we have arrived back where we started. The debate has gone full circle," he says.

"We accept there are issues with the current ETS that need amending, such as the current uncapped exposure of industry to price. We expected and support the amendments to the ETS that National said it would complete within nine months of coming into office.

"But reviewing is different to repealing. The design of a new system is unlikely to be completed before 2012, particularly when it will mean a fresh round of discussions on who should be exempt from what.

"In our view, forestry's interests are aligned with the nation's Kyoto objectives. We remain confident that the government recognises that forestry is one of the best options for dealing with New Zealand's emissions profile.

"Whatever the ultimate decision, the rewards and obligations for foresters locking up carbon should be the same. The problem is that the longer the delay in reaching that decision, the more limited will be forestry's ability to contribute."

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