



Sparks fly over forestry credits

Plans for a carbon tax regime for agriculture and forestry are as welcome as the fart tax. **Geoff Cumming** reports

TO thousands whose retirement comfort hinges on profits from felling trees, Roger Dickie is a white knight, battering down the Government's attempt to steal "their" carbon credits to offset the country's greenhouse gas excesses when our Kyoto obligations kick in next year.

To Agriculture and Forestry Minister Jim Anderton, Dickie — who has spent 30 years persuading mums and dads to invest in forests — is spreading "wilful ignorance and deceit" and needlessly fuelling deforestation.

Consultation meetings on the Government's climate change proposals for agriculture and forestry, unveiled in December, have been hijacked by a well-funded campaign fronted by Dickie's Kyoto Forestry Association and the larger Forest Owners Association. Act leader Rodney Hide and National's climate change spokesman Nick Smith have been fanning the flames in Parliament.

In an echo of Federated Farmers' campaign against the fart tax, rural halls have been reverberating to the forest owners' assault on the Government's long-signalled intention to keep the "carbon credits" which forests planted since 1990 will earn, while penalising those who chop down mature (pre-1990) forests and convert

them to pasture.

The roadshow reached the Big Smoke this week with claims that for Auckland investors alone, "at least \$2.6 billion and as much as \$4 billion" could be at risk from the "confiscation" of credits legitimately owned by forest owners and investors.

Claims owners of pre-1990 forests who convert their land to other uses will be stung with a \$13,000/ha retrospective tax add to the frustration of Anderton and Climate Change Minister David Parker. The figure, says Parker, is an estimate of the cost of carbon dioxide added to the atmosphere when deforestation occurs.

Dickie says about 50,000 New Zealanders invested in Kyoto-qualifying forests in the 1990s, a third of them "mum and dad" investors from Auckland — many via his firm, Roger Dickie NZ Ltd. He claims investors expected a return not only from the sale of wood products in the future but from the carbon credits they would earn.

In Parliament, Hide and Smith have attempted to make stick "evidence" that Labour accepted, and led investors to believe, that the credits were a property right — until it abruptly "nationalised" them in 2002.

Government assurances that it made no such promises bear compari-

son to Bill Clinton's take on what he didn't do with Monica Lewinsky.

The war of words is generating enough heat to ignite the central North Island forests. Dickie claims the Government has "stolen a big chunk of [investors'] retirement savings" and that plans for managing deforestation are an incentive to rip out trees and convert to pasture before Kyoto penalties take effect.

Anderton accuses Dickie of rewriting history and says the issue has been stirred up by a few rich players running an anti-Government smear campaign. Devolving credits to owners would create a \$1.1 billion windfall at taxpayers' expense.

Yet the Government desperately needs an expanding forestry sector — if Kyoto operates in the same way after 2012, the more trees planted, the more credits we gain to offset our excess emissions.

Weekend Review attempts to see the wood for the trees.

What's at stake?

Under Kyoto, New Zealand agreed to hold its greenhouse gas emissions to 1990 levels from 2008 or take responsibility for the difference. Another rebuff for the Government, after the carbon tax backdown and "fart tax"

Saturday, 17 March 2007, p. 5



debacle, would leave taxpayers to foot the bill for our emissions excess. Treasury currently puts the cost of this excess at \$578 million for the first 5-year period. This is based on an emissions excess of 41.2 million tonnes and a carbon price of \$14.03 a tonne — other experts say the excess could be 60 million tonnes and the carbon price \$30 a tonne.

What are carbon sink credits?

Under Kyoto, activities which retain greenhouse gases such as CO₂ in the atmosphere, including some forests, are termed carbon sinks and can be used to offset emission excesses.

Why does the Government need to act?

Forest plantings were a powerful lure in New Zealand signing up to Kyoto in December 2002; the "credits" they attract for absorbing CO₂ were expected to more than offset the cost of greenhouse gas emissions from energy generation, transport and forestry.

But by mid-2005 it was clear the projections were wrong and we were going to exceed our Kyoto target. One factor has been the slump in forest planting since 1996 to the point where deforestation — forests chopped down and converted to pasture — now exceeds fresh plantings.

Is Kyoto to blame?

For forest owners, Kyoto is a double-edged axe. Post-1990 plantings harvested in the 2008-2012 period will incur debits equal to their credits. However, replacement forests will build up carbon credits as they grow.

For forests planted before 1990, there is no carbon sink credit. Offsetting this, they become a liability only if, when felled, they are converted into pasture. However, with returns for dairying far more attractive in the past decade than those for logs, conversion into pasture has been accelerating.

Saturday, 17 March 2007, p. 5

Is forestry being singled out?

Forest credits have always been viewed as a way to offset the costs incurred by activities that generate greenhouse gas. The Green Party says the Government appears to be using the credits to shield sectors such as motorists and farming. The latest proposals follow backdowns on the carbon tax and attempts to impose costs on agriculture, responsible for 49 per cent of our greenhouse gas emissions.

However, the Government says measures are in the pipeline for agriculture, energy and motorists.

Who rightly owns the carbon sink credits — the Government or forest owners and investors?

Forest owners, naturally enough, say the credits belong to those who plant forests. They also claim Cabinet papers and officials' statements prove it was always intended that forest owners would own at least "some proportion" of the credits. But these statements were made when the Kyoto fingerprint was still being negotiated.

Anderton says although early discussion papers and statements prob-

ably led to an expectation of credits among owners, the Government never actually promised them.

"Sink credits are the result of Government-to-Government agreements, in which benefits and liabilities rest with Governments," he told Parliament this week. "Forest owners have no more right to carbon credits than farmers, motorists or households in New Zealand have a personal financial liability for their emissions."

Dickie compares the Government stance to pocketing the proceeds when it negotiates lower tariffs for exporters. "They have not created [the credits], they added value by signing Kyoto but so does a free trade agreement."

Has the "loss" of credits discouraged forestry investment and accelerated deforestation?

Yes and no. Forestry plantings began to decline in 1996 as log prices tumbled and returns from dairying became much more attractive. Anderton says the corporate investors doing the bulk of deforestation bought forests after the Government announced plans to manage deforestation.

Dickie claims the acceleration in deforestation since 2002 relates largely



to the Government's "nationalisation" of the credits.

What happens if deforestation continues?

A MAF survey indicates deforestation between 2008 and 2012 will result in 40 million tonnes of carbon dioxide being emitted, far higher than historic rates and creating a liability for taxpayers of \$651 million at current estimates, says Parker. Anderton says three-quarters of the deforestation is expected to be carried out by corporate investors in the Central North Island, and more than 80 per cent of owners intend to replant their forests.

Is there a way out of the woods?

The Government favours a tradeable permit regime (similar to fishing quotas) to manage deforestation. Those wanting to deforest would need to buy more permits from those willing to replant who don't need theirs.

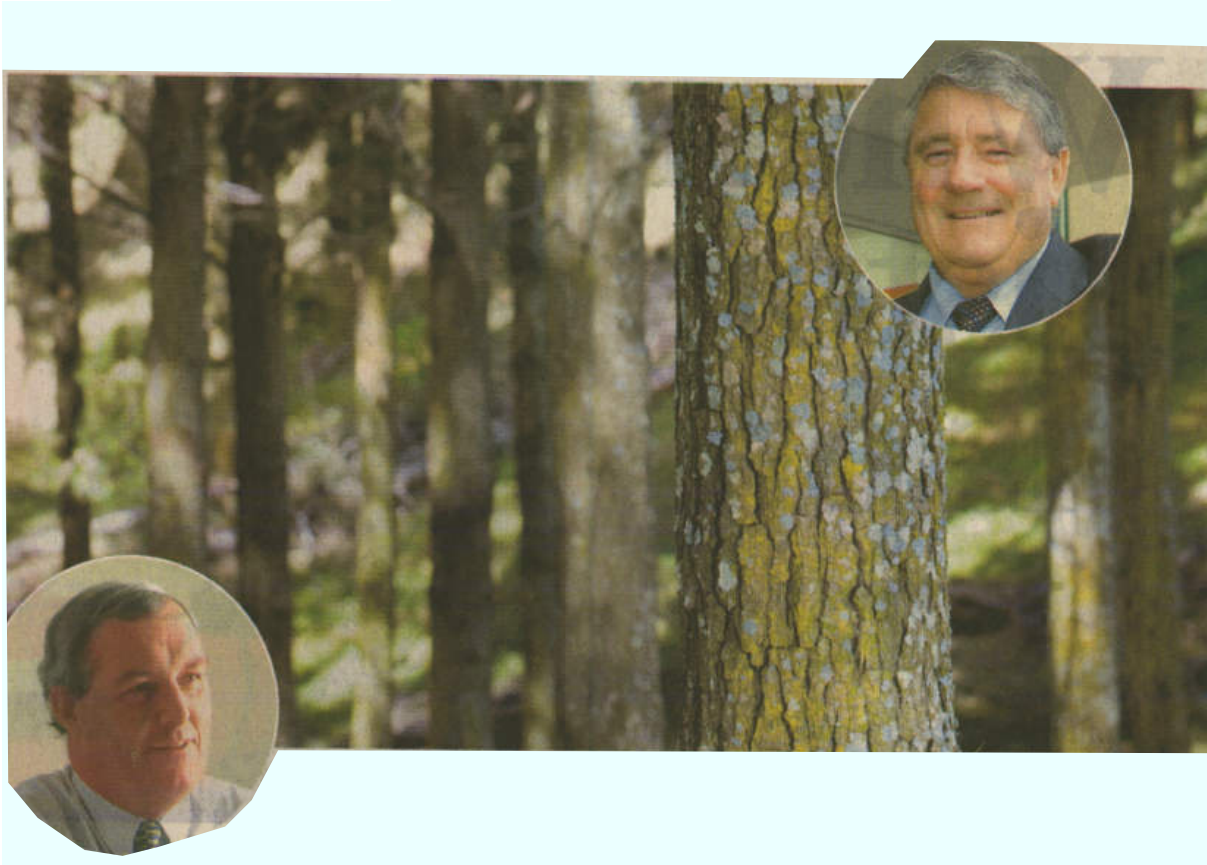
It is working on a scheme to devolve carbon sink credits to owners who plant from the beginning of next year. But that won't placate owners of existing Kyoto forests, or those wanting to convert pre-1990 forests into pasture.

Dickie says both the credits and liabilities should rest with the sector.

Previous investors are the most likely to reinvest in forestry but they need incentives — and that's what's missing from the Government proposals.

The Green Party says the forestry sector must receive some financial benefit from the carbon their trees remove and that credits should be used to create an incentive for replanting. It is working on a detailed policy.

Act's Rodney Hide says forest owners should keep the carbon credits; National is also now promising to give post-1990 foresters "some portion" of the credits.



HOT STUFF: The war of words is generating enough heat to ignite the central North Island forests. On one side, Roger Dickie, left, of the Kyoto Forestry Association and on the other Agriculture and Forestry Minister Jim Anderton. Saturday, 17 March 2007, p. 5