



**Media release from the Southern Wood Council  
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## **SOUTHERN WOOD COUNCIL WELCOMES CARBON TRADING**

**The Southern Wood Council has welcomed the government's shift in its recently announced carbon trading scheme, to now recognise owners of forests planted after 1989.**

The Southern Wood Council represents all the major forest owners and wood processors in Otago and Southland. Its chairman Matthew Hitchings is pleased to see that government has recognised post-1990 forest owners in the new emissions trading scheme announced last week, and noted the positive role forest owners play in climate change to meet New Zealand's Kyoto Protocol commitments.

The government had previously indicated it wanted to retain the carbon credits from New Zealand forests to shield emissions from the New Zealand agricultural sector.

"The announcement is certainly a step in the right direction, although there is still considerable detail to come out and issues to consider for our members over the coming months before we each decide on our options, including capping levels, unit allocations, and tax implications" Mr Hitchings said.

In particular, managing the carbon liabilities from land conversions (deforestation) will need to be considered. Land owners are concerned they will be required by government to enter the carbon market to cover the carbon lost from converting pre-1990 (non-Kyoto) forests to pasture. "The environmental contribution of forests planted in the 1980's is not recognised, and their owners are therefore being unfairly treated."

The price of land is the single biggest driver of deforestation, and with agriculture not having to face its emissions liabilities until 2013, forest owners are also concerned that this will compound the deforestation problem and limit afforestation opportunities.

Ultimately it is the emission liability the government determines for greenhouse gas-intensive industries that will create the market demand for carbon credits. Demand for credits will determine the price, and therefore the financial incentive for forest growers to increase forest area bringing environmental benefits.



“The forest industry is already making a positive contribution to mitigate the effects of climate change in Otago and Southland,” Mr Hitchings added. “It certainly backs up our belief that our forests are valued as a true asset to the region, and can now well be thought of as ‘green gold’ in making the region wealthy in environmental terms.”

### **Background information**

Eventually, all New Zealand’s major carbon-emitting sectors will have to pay for the right to emit carbon under the government’s new emissions trading system, encouraging them to emit less greenhouse gases, by adopting new technology to changing to carbon neutral energy sources such as wood chips from forest harvesting residues, so the government can maintain carbon emissions at 1990 levels to meet Kyoto Protocol requirements.

The trading scheme will work by “capping” the amount of greenhouse gases that can be emitted from sectors. Businesses producing more greenhouse gas than their cap will have to buy "carbon credits" from other businesses with lower emissions than their cap or buy offsets from forest growers.

Carbon credits, or New Zealand Units (NZUs) as they will be known, are simply a unit to facilitate a trade in green house gas emission. Forest owners next year will be allocated NZUs to trade.

Owners of both pre-1990 and post-1989 forests are impacted differently. Forest Owners will be able to receive forest sink credits as emission units, though in different ways. Landowners with pre-1990 forest will be granted a small number of NZ Units based on historical rates of land conversion after harvesting, pro rated according to the size of their forest landholdings, while owners of post-1989 forest who opt into the scheme will receive units which recognise carbon being stored in the forest as it grows. These credits will be counted as liabilities when their trees are harvested.

A radiata pine forest absorbs around an average of 30 tonnes of carbon per hectare, per year. A mature pine crop stores 800 – 900 tons of carbon per ha but under current Kyoto rules, around two thirds of this will have to be repaid or otherwise covered at harvest.

In Otago and Southland, there are 215,600 hectares of commercial forests south of the Waitaki, or 12 percent of New Zealand’s total forestry area, with a mix of pre and post 1990 forests. Should the owners of these forests chose to opt in to the scheme from next year, they will then be able to trade the credit units based on the carbon produced from these trees.



*The Southern Wood Council Inc was set up in 2001 to promote, encourage and coordinate the sustainable economic development of the forest products industry in Otago and Southland. One of a few truly independent groups of its type in New Zealand, it includes all the major forest owners within the region (ownership or management of over 140,000 hectares of production forests with an annual harvest of over 1.2 million m<sup>3</sup> of wood), the larger wood processing and manufacturing companies, the port authorities and each of the three economic development agencies from local councils.*

**For further information contact Matt Hitchings on 03-204-8444.**