

Climate Change (Forestry Sector) Regulations 2008: draft for consultation

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This bulletin explains, and should be read alongside, the draft Climate Change (Forestry Sector) Regulations 2008. The draft regulations have been released to provide forestry sector participants with greater certainty about the nature of their proposed obligations under the New Zealand Emissions Trading Scheme (ETS), as provided for in the Climate Change (Emissions Trading and Renewable Preference) Bill.

The draft forestry sector regulations include regulations for pre-1990 forest land. The regulations relating to post-1989 forest land are still in development. This bulletin gives an overview of, and presents a guide to, the regulations for pre-1990 forest land, and discusses the proposed approach for post-1989 forest land.

Overview of pre-1990 forestry regulations

The regulations contain:

- a measurement methodology (including information to be collected and submitted with an emissions return) for participants doing activities under Part 1 of Schedule 3 of the Climate Change (Emissions Trading and Renewable Preference) Bill (the Bill)
- a process by which the Chief Executive will notify the Registrar-General of Land, the Registrar of Deeds or Chief Registrar of the Maori Land Court of the status of pre-1990 forest land and exempt land when the Chief Executive becomes aware that the land is pre-1990 forest land through either a person registering as a participant, applying for exemption or seeking an allocation of New Zealand Units (NZUs)
- a power to collect fees and charges for activities under Part 1 of Schedule 4 of the Bill.

Measurement methodologies

Forest landowners will need to report deforestation that occurs from 1 January 2008 for forests on pre-

1990 forest land. They will therefore need to know the size of their potential deforestation liability for planning and financial reporting as soon as possible.

Two options were considered for measuring deforestation emissions from pre-1990 forests: look-up tables and actual measurements based on forest inventory techniques.

The government proposes a look-up table approach because it is:

- simple to apply
- affordable for forest landowners
- achievable in the available timeframes
- administratively simple
- able to be applied retrospectively
- linked to New Zealand's international accounting under the Kyoto Protocol.

Under this approach, pre-1990 forest landowners who deforest will calculate and report their deforestation emissions by using a series of look-up tables. Radiata pine look-up tables will be broken down by region and age. For all other species, the tables will be based on age. The tables for exotic species are prepared and are annexed to the draft of the regulations. It is proposed that participants must collect and report the following information in their pre-1990 forest deforestation emissions return:

- forest age
- forest species
- region (for radiata pine)
- forest area (including geospatial data)

The inclusion of pre-1990 indigenous forests in the ETS is subject to further consideration in the context of the Bill. While draft look-up tables for indigenous forest have also been prepared, final decisions on the treatment of pre-1990 indigenous forest under the ETS will determine whether indigenous forest look-up tables are finalised and included in the regulations.

It is important that the deforested areas reported under the ETS align closely with New Zealand's international accounting assessed by the Ministry for the Environment in the Land Use and Carbon Analysis System (LUCAS). Officials from the Ministry for the Environment and the Ministry of Agriculture and Forestry are working together to ensure that, as far as possible, common data on deforestation is shared.

Cost recovery

The ETS will be funded through a mix of Crown revenue and fees. Ministers have agreed in principle that the costs of the ETS relating to pre-1990 forests will be funded by the Crown and that the participation costs of post-1989 forest landowners will be cost-recovered.

The costs of the ETS can be categorised into four phases: establishment, development, information/promotion, and scheme operation. Participation fees could be set to recover all or none of these costs.

Decisions on the appropriate level of Crown funding are likely to depend on the resulting level of fees. Fees which are too high may act as a disincentive for forest landowners to either comply with their legal obligations or to actively participate in the scheme. However fees need to be set in a manner that is consistent with appropriate cost-recovery principles and equitably allocate costs between pre-1990 and post-1989 forest landowners.

It is proposed that the Crown funds the establishment, development and information/promotion costs relating to both post-1989 and pre-1990 forest landowners for the following reasons:

- establishment costs relate to formation of policy and implementation which precede decisions to implement systems
- it is unfair to expect early participants to meet the costs of developing a scheme which is expected to have benefits well in the future
- the ETS has benefits for all New Zealanders – there is an argument that the government should therefore meet some of the development phase costs to recognise wider societal benefits
- information/promotion costs relate to the promotion of government policy.

It is therefore proposed that the fees for ETS

participation of post-1989 forest landowners be set to recover only the operation costs.

Guide to the Forestry Sector Regulations

Regulation 4 is the interpretation section for the regulations.

Cost recovery

Regulations 5 and 6 are the cost-recovery regulations for post-1989 forest participants. Schedule 1 will contain the fees and charges payable for applications and other matters relating to post-1989 forest land.

Land status notifications

Regulation 7 sets out when and how the Chief Executive must notify the Registrar-General of Land, the Registrar of Deeds or the Chief Registrar of the Maori Land Court of the status of forest land as either pre-1990 forest land or exempt land.

Regulation 8 requires the relevant Registrar to endorse the records for the forest land as either pre-1990 forest land or exempt land.

Regulation 9 sets out when and how the Chief Executive must notify the Registrar-General of Land, the Registrar of Deeds or the Chief Registrar of the Maori Land Court that the earlier notice must be cancelled (eg, because the land has been deforested and, where the land was not exempt land, any liability to surrender units has been met).

Measurement methodologies

Regulation 10 lists the information a person deforesting pre-1990 forest land will need to collect.

Regulation 11 requires the information collected to be translated into an emissions return using the look-up tables set out in Part 2 of Schedule 3 of the Forestry Sector Regulations.

Regulation 12 contains a number of rules which state how:

- the age of trees is to be determined
- the predominant forest species is determined when the forest land contains a mixture of forest species
- the age of a hectare of mixed aged trees is determined.

Regulation 13 requires certain information about the area



deforested to be provided with emissions returns.

Schedules

Schedule 1 will list the fees and charges payable for applications and other matters relating to post-1989 forest land.

Schedule 2 sets out the forms that will be used by the Chief Executive to notify and cancel a notification to the Registrar-General of Land, the Registrar of Deeds or the Registrar of the Maori Land Court of the status of forest land as either pre-1990 forest land or exempt land.

Schedule 3 Part 1 describes the nine regions for determining which part of the deforestation table is to be used for radiata pine.

Schedule 3 Part 2 contains the look-up tables.

Species	Regions
Radiata pine	Nine regions
Douglas fir	All New Zealand
Other exotic hardwoods	All New Zealand
Other exotic softwoods	All New Zealand

Explanation of proposed post-1989 forestry regulations

Proposed measurement methodologies

Regulations will be required for measuring and reporting carbon stock changes for post-1989 forest land. The carbon measurement methodology regulations will ultimately set out eligibility, measurement options, inventory processes, and treatment of error; carbon pools to be measured, area measurements, applicable formulae and models to be used; and use of carbon verifiers and auditing processes.

Officials are developing both these measurement methodologies and a look-up table approach. The look-up table approach will be similar to that proposed for pre-1990 forest land and will be brought into the regulations first. The prescribed measurement methodology approach still requires significant work before it can be developed into regulations.

The field measurement methods are intended to be cost-effective and scientifically defensible and will reflect existing forest inventory good practice. A

principle of the methodology is that if a forest owner invests more in measurement and achieves a low sampling error, then more NZUs will be issued.

The look-up table approach will involve minimal cost for the participant, but to reduce the risk to the Crown of over-allocating NZUs, the number of units to be allocated will need to be conservative, resulting in fewer units being issued than the prescribed carbon measurement methodology.

The look-up table approach will enable interim allocations of NZUs to participants for the period beginning 1 January 2008, while the measurement methodology and associated tools are being developed. These tables can be used both as the long-term option for participants or for participants who prefer to delay measuring the carbon in their forest until the end of Commitment Period 1 of the Kyoto Protocol (CP1), because of scale, age of forest or expense.

Once the measurement methodology is developed, landowners will be able to switch from look-up tables to the measured approach and re-calculate their carbon stocks. The Bill does not provide for this at present, but the issue will be dealt with in the context of the Select Committee's consideration of the Bill.

Development and validation of the detailed carbon measurement approach will include, over a period of 18 months:

- validation of measurement options for the full range of likely forest types, ages and sites
- preparation of instruction manuals for forest inventory
- development of a prototype software that combines the approved models and functions into a "carbon calculator"
- development of a fully operational calculator with user interface which allows participants to enter field measurements into the calculator to determine the carbon amount
- development of a comprehensive ETS Carbon Measurement Manual which will form the basis of regulations for the measurement methodology
- development of data storage and retrieval systems, so that individual forest measurements can be accessed.

A long-term research programme is required to fill the



current gaps in our knowledge base for the measured approach. Until better information exists, the methodology will use the best available function(s).

A science programme will aim to provide as much new data as possible before the end of CP1. This can then be incorporated into improved models and processes for final measurements at the end of CP1.

A stakeholder group consisting of end-user representatives will be established to consider and provide feedback on the methodologies proposed.

A series of technical manuals and information on the measurement methodology will be released progressively as the design is implemented. These will include:

- a field guide to carbon measurement in forests
- a user guide to the carbon calculator
- a comprehensive technical manual for the carbon measurement methodology.

Process for feedback

Feedback on the draft regulations and other proposals outlined in this bulletin is welcome. Please email emissionstrading@climatechange.govt.nz.

This feedback will inform the ongoing development of the regulations. The regulations cannot be enacted until after the passage of the Climate Change (Emissions Trading and Renewable Preference) Bill, which is expected to occur in July 2008.

The final content of the regulations is dependent on the provisions of that Bill once passed into law. The Bill is currently before Select Committee and its provisions are subject to change from current wording.

Nonetheless, work will continue prior to the Bill's passage about the approach to be taken in regulations, and any feedback will inform that work.

Any feedback you provide on the draft regulations will not constitute a submission on the Bill itself. Submissions on the Bill should be made to the Finance and Expenditure Committee before the closing date (29 February 2008).

Where to go for more information

- To view the draft regulations, visit www.climatechange.govt.nz
- To find out how to make a submission on the Climate Change (Emissions Trading and Renewable Preference) Bill, visit www.parliament.nz/en-NZ/SC

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