

Report 11.191
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Committee Council
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Pre 1990 Forestry Allocation of New Zealand Units under the Emissions Trading Scheme

1. Purpose

To nominate the office holders required to enable the Council to open a New Zealand Emission Unit Register (NZEUR) account. Registration is a pre-requisite for a landowner to apply to the MAF to register a forest for the purposes of the Emissions Trading Scheme (ETS).

To consider whether to apply for carbon credits for:

- a. pre 1990 forests, and
- b. post 1989 forests.

2. Significance of the decision

The matters for decision in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3) (b) of the Local Government Act 2002.

3. Background

In response to the Kyoto Protocol, the Government introduced the ETS. This scheme is designed to “reward” people and organisations who remove carbon from the atmosphere and store the carbon in trees and forests, and penalise those who create and release carbon into the atmosphere. The scheme has been staged with industries added thus:

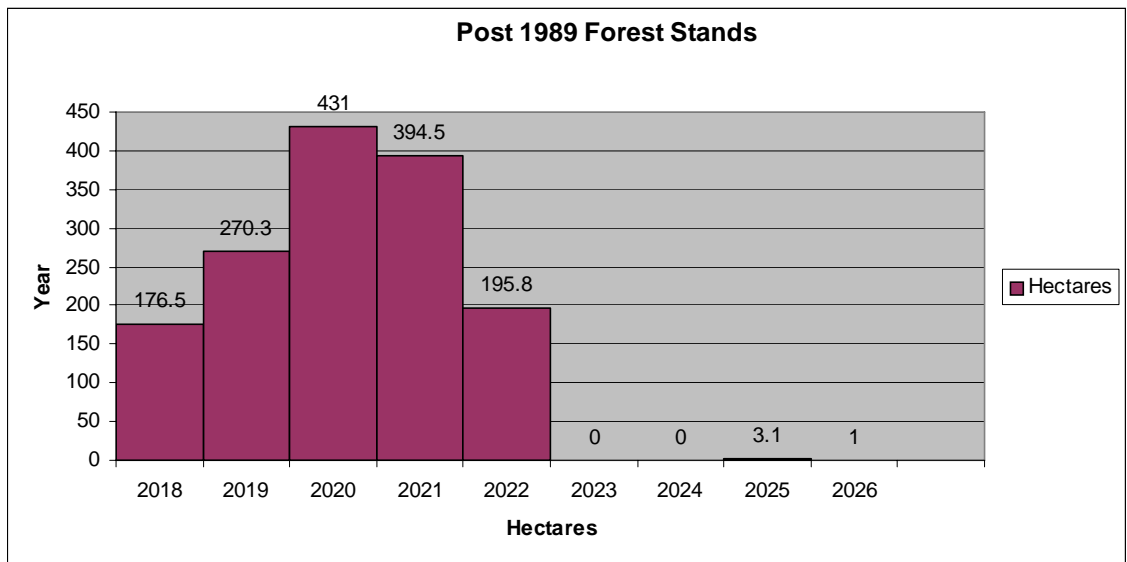
- Forestry (Exotic and indigenous) 1/1/08
- Liquid Fossil Fuels 1/7/10
- Electricity Production 1/7/10
- Industrial Processes 1/7/10
- Synthetic Gases 1/1/13
- Waste 1/1/13
- Agriculture 1/1/15

The ETS applies different rules to forests planted before 1990, which are measured in area and post 1989 forests which are measured in carbon. An allocation for carbon sequestered by forests only applies to post 1989 forests. The Government acquires the carbon within older, e.g. pre 1990, forests. These are specifically excluded and not counted for sequestration purposes. The Government has offered the owners of pre 1990 forests up to 60 carbon units per hectare to be allocated as 23 units in 2012 and 37 units in 2013. Government has indicated that the granting of 37 units in 2013 may be abolished by legislation.

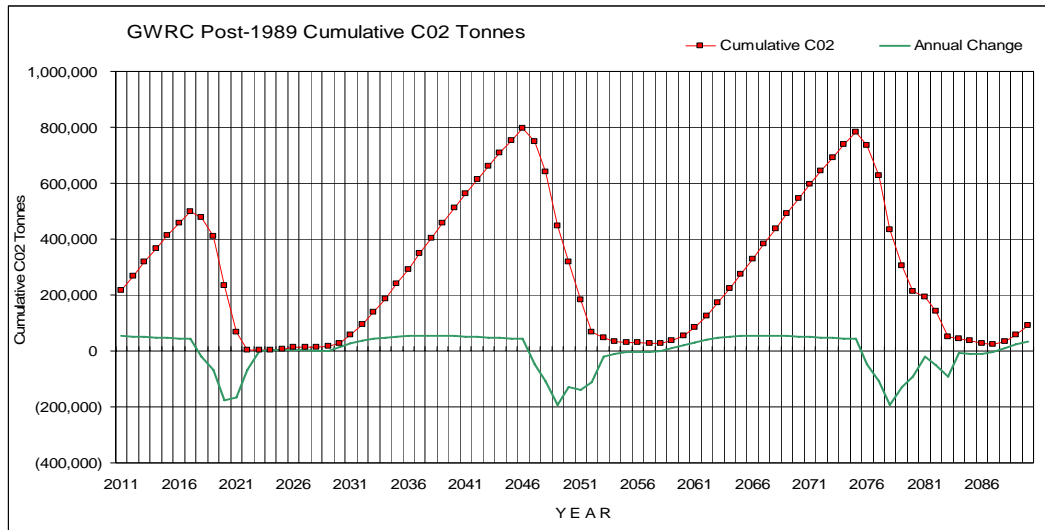
The Council owns 4,130 hectares of pre 1990 forest and our estimates, at this stage, calculate that in 2012 the Council is entitled to 95,036 New Zealand Units (NZU) and, in 2013, a further 152,884 NZUs. This translates to a return of \$1,900,720 in 2012 and \$3,057,680 in 2013 based on a NZU valued at \$20 per NZU.

The Council also owns 1,472 hectares of “post 1989” forest and may claim the actual sequestration of carbon within these forests. Although these forests were planted between 1990 and 1998, only carbon sequestered since 2008 is eligible. Furthermore, this carbon is required to be measured at four yearly intervals through sample plots. It is estimated that the council “post 1989” forests would require 60 to 80 sample plots situated at sites nominated by MAF, at a measurement cost of \$200 each plot per 4 years.

The age profile of these trees are such that 99% of them fall due for harvest in the period 2018-2022 as shown on the graph below.



The carbon “earned” and spent is shown in the graph below.



As the scheme for post 1989 forests only counts carbon accumulated since 1 January 2008, only 10 to 14 years of credits will apply. However, at harvest time 30 years minus the below ground allowance (approximately 30%) needs to be paid to Government to meet carbon liabilities. This liability is capped at the level of carbon credit received to date. Claims for carbon accumulated since 2008 have to be accepted by MAF by 31 December 2012.

There is a likelihood that Council will end up with few if any credits remaining to deal with windthrow or fire in these stands. If Council chose to register and claim the units for these stands it would have the option to sell the units. The risk it faces is that having sold the original units it will have to purchase units on the open market at harvest time at a market price that could be higher or lower than it received from the sale of the original units.

If the carbon credits from these stands were “claimed” after harvest and provided the current or similar regime continues, the Council would then accumulate credits for 30 years before the liability of harvest arose again.

4. NZEUR Holding Account

NZUs whether originating from pre 1990 or post 1989 forests will only be credited to an NZEUR Holding Account. In order to open an account certain office holders have to be nominated. The office holders are:

Registered User	A person who has been authorised by the NZEUR Registrar uses the NZEUR online system, including opening Holding Accounts.
Username	The unique name used by a Registered User to log on to the NZEUR (in conjunction with a unique password) in order to access a Holding Account.
Holding Account	A type of NZEUR account in which emission units are held. Emission units may be transferred into or out of Holding Accounts by Primary Representatives. The NZEUR Registrar may also transfer emission units into Holding Accounts. Each Holding Account has one Account holder and must have at least one, and may have up to five, Primary Representatives.

Account Holder	<p>The person or organisation who is the legal owner of the Holding Account and the emission units held in it.</p> <p>Suggested Nominee: Wellington Regional Council</p> <p>Account Holders remain legally responsible for their Holding Account and any actions of Primary Representatives authorised to operate the Holding Account. In some cases the Account Holder will consist of one person, in other cases the Account Holder may consist of more than one person.</p>
Account Holder Declarations	<p>The Climate Change (Unit Register) Regulations 2008 require an account holder to make declarations in order to open a Holding Account or appoint a primary representative. These declarations are contained in the Account Holder Declaration form which will be e mailed to the Account Holder as part of the Holding Account application process.</p>
Account Holder (Organisation) Type	<p>The Account Holder (Organisation) type identifies the nature of the Account Holder (e.g. limited company, partnership, trust etc) which determines the nature of additional information that will need to be provided when opening a Holding Account. For example, if the Organisation Type is an unincorporated trust or partnership, the full legal names of each and every individual trustee or partner, and their contact details, will need to be provided to the NZEUR Registrar.</p>
Primary Representative(s)	<p>A person who has been authorised by the Account Holder to operate the Holding Account. Only an individual (e.g. a natural person, not an incorporated body) who meets the qualifying criteria set out in the Climate Change (Unit Register) Regulations 2008, and is a Registered User of the NZEUR, will be approved as a Primary Representative. Account Holders who are individuals may nominate themselves to be the Primary Representative of their own Holding Account, Primary Representatives will receive notices from the NZEUR Registrar relating to the Holding Account.</p> <p>Suggested Nominee: The person for the time being occupying the position of Chief Financial Officer.</p>
Preparer	<p>A person who has been authorised by the Account Holder to prepare transactions involving the Holding Account.</p> <p>Suggested Nominee: Manager Finance and Support</p>
Approver	<p>A person who has been authorised by the Account Holder to approve transactions involving the Holding Account.</p> <p>Suggested Nominee: Treasury Accountant</p>
ETS Registered Participant	<p>A person or organisation that has registered as either a mandatory or voluntary participant in the NZ ETS. All NZ ETS participants must have a Holding Account.</p>
Authorised Person(s)	<p>An Authorised Person is authorised to make declarations on behalf of an Account Holder. Declarations are required to open or close a Holding Account, or add or remove a Primary Representative. Authorised persons are appointed by using the Supplementary Authority form attached to the Account Holder Declaration Form.</p> <p>Suggested Nominee: Chief Executive</p>

5. **Communication**

No communications are required for this account. It will facilitate the receipt of NZEURs at a later date.

6. **Recommendations**

That the Council:

1. ***Receives** the report.*
2. ***Notes** the content of the report.*
3. ***Authorises** Officers to open a Holding Account.*
4. ***Delegates** the nomination of the Holding Account Officers to the CEO.*
5. ***Approves** claiming the carbon units due from the pre 1990 forests.*
6. ***Defers** any decision on claiming the carbon units from the post 1989 forests until the outcome of the legislative review in 2012 is known.*

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