

One Billion Trees

Growers (of first rotation crops) will now be able to sell carbon units up until the predetermined average carbon holding capacity is reached for that forest. The average carbon holding capacity will be represented by an average forest age. We currently don't know exactly what this average age will be set at and how it is calculated although it will be linked to the anticipated rotation length. Indicative average ages for radiata pine are 16 through to 21 years however, this is the sort of detail we are expecting the government to provide in their announcement scheduled later this year.

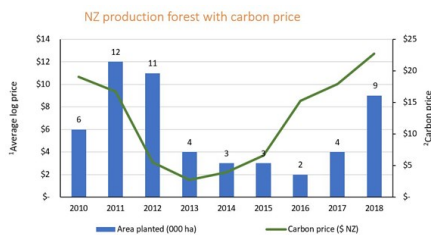
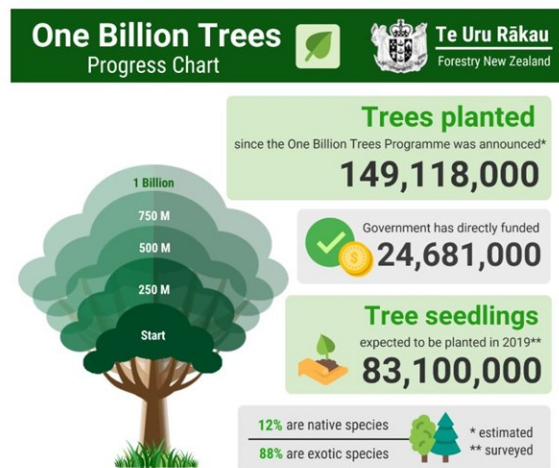
~ Providing that the crop is replanted, growers no longer have to buy back carbon units when felling causes carbon levels to drop below the amount sold (which would normally happen under the stock change system).

~ Forest owners will have an annual income that is less risky and easier to understand assuming the land use stays in forestry for perpetuity.

~ Forests registered in the ETS before 2019 cannot transition to averaging accounting. This decision will be revisited in 2021. (All forests registered from 1 January 2021 will have to use averaging accounting, and forests registered in 2019 and 2020 will have the option to use it)

~ Foresters using averaging accounting can offset their liabilities by planting an equivalent forest elsewhere. For example, if a forest is felled and there is a change in the land use, Foresters can plant the equivalent forest in another location and will not be required to pay back the units sold from the first rotation (providing the same level or more of carbon is captured from the new forest). Note that Foresters will only be able to sell units that are produced in excess of the first rotation crop.

~ Foresters using averaging accounting won't have to pay back NZUs after adverse events. E.g. if there is a fire or wind event before the average age is reached, future ETS payments will be delayed until the carbon storage at the point of the adverse event is passed; payments would then resume.



~ There will be a minimum stand-down period between a forest changing land use before it can be entered in the ETS as a first rotation forest (this period is still to be announced)

~ Decisions made by the current forest owner will stay with that forest e.g. This means that if an owner increases their rotation length past the norm, subsequent owners will either

have to maintain that rotation length or surrender some NZUs if they change to a shorter rotation length.