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22 April 2022

**SUBMISSION ON**  
**MANAGING EXOTIC AFFORESTATION INCENTIVES**  
**Discussion paper 2022/02**

**Submitter**

**Carbon Forest Services** is a specialist consultancy working with forest owners, including farmers, local governments, iwi, and not-for-profits on maximizing value while avoiding the risks associated with the Emissions Trading Scheme (ETS).

Managing Director Ollie Batelier-Belton is a pioneer in New Zealand's carbon forest industry since 2005. His focus is on permanent non-harvest forests and indigenous forests. Ollie is a Director of Carbon Forest Services and a Director at Permanent Forests NZ. He was a member of the Government's expert Climate Change Forestry Reference Group and is a current member of the Te Uru Rākau Technical Advisory Group for ETS forestry.

Mathilde Batelier-Belton is a Director and the Project Manager at Carbon Forest Services. She is a sustainability expert, specialized in emissions carbon schemes and how they either hinder or support sustainable development at country level.

**Response overview**

We are overall disappointed with the description of the problem brought forward by this consultation. While we support stronger rules around how permanent forests should be managed, we do not support the proposal to wholesale exclude exotic forests from being able to register within the new permanent post-1989 forest activity due to replace the Permanent Forest Sink Initiative (PFSI) in 2023.

We conditionally support the proposal to introduce a long rotation category under averaging accounting.

**Consultation Response**

Provided on the following pages is our consultation response. We welcome the opportunity to discuss our submission further with Te Uru Rākau.

Regards,

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**MANAGING EXOTIC AFFORESTATION INCENTIVES:  
A discussion document on proposals to change forestry settings in the New Zealand Emissions  
Trading Scheme**

**CONSULTATION RESPONSE**

**1) Response overview and summary**

We agree that there is a need to appropriately regulate the emissions reduction policy settings linked to forestry, both within and outside the Emissions Trading Scheme (ETS). However, we disagree on how the discussion document has framed the problem and the potential solutions.

Firstly, the consultation conflates the term “exotic forest” with “Pinus radiata”. However, these are two different concepts that must remain separate and distinctive. There is a high number of varied and diverse exotic forest types that include Exotic Hardwoods and Softwoods, which have a very long lifespan and proven environmental benefits. The focus must be on planting and appropriately managing exotic and indigenous species that have a comfortable life expectancy of at least 100 years.

We have observed a lack of thoroughness in defining what the issue could be (e.g., is it planting too much Pinus radiata on “good agricultural land”?). This has led to a lack of nuance and thus a failure to properly consider the complexities related to the issues of forestry in the ETS, by proposing a simplistic and binary solution that is ill-adapted to be beneficial, both from environmental, social, and economic perspectives.

The Government might want to focus on *reducing* the number of Pinus radiata forests being established as permanent (thereby displacing farming on good agricultural land, or displacing timber harvesting on good production forestry land) while *encouraging* the implementation of other exotic and indigenous forest types, especially if these forests prove to be diverse and contribute to New Zealand’s objectives of reducing its greenhouse gas emissions as well as hindering the loss of biodiversity.

Secondly, this consultation falls short of reflections around the importance of forest diversity: diversity in planting, diversity in the management of registered forests and diversity of scenarios to tackle the climate and biodiversity crises we face. This “all or nothing”, and thus harmful approach, goes against the scientific consensus and advice that show that tackling climate change and our biodiversity crisis will come by adapting our responses locally, through and within national frameworks. Any planted monoculture can be harmful and damaging for the environment, whether they are exotic or indigenous. The key elements relating to ensuring a mix of different forest species, both exotic and indigenous, being properly managed and monitored, is lacking throughout this consultation.

Thirdly, the arguments used throughout the consultation seem to point at the absence of monitored forest management plans, rather than the species that are planted. We believe that any forest species that aims to be registered as permanent, should have a forest management plan, an element that is overlooked in this consultation.

A forest can only contribute to the surrounding community, both economically (by providing jobs), environmentally (by increasing biodiversity and providing other environmental benefits such as erosion control), socially and in terms of natural capital (access to nature) by being well managed.

The argument used against “plant and leave” is valid not only for *Pinus radiata*, but for any forest species, whether they are exotic or indigenous.

Fourthly, the ongoing rush surrounding the changes of the ETS continues to undermine confidence for the public and relevant stakeholders. This consultation puts forward interesting questions – nevertheless, the manner in which these questions are asked is unavoidably reducing the trust put into the ETS by making the policy inconsistent and unreliable.

Finally, New Zealand is known for its poor record on climate action over the past three decades. Yet, this consultation seems to underline that the country wants to ban one of the key solutions we must use, if well managed, to contribute to addressing the urgent climate crisis without having to purchase millions of credits offshore to meet our climate targets. The ETS is branded by the Government as being the main policy to reduce New Zealand greenhouse gas emissions. Yet, half of New Zealand emissions are not yet covered by the scheme – while, at the same time, the Government is focusing on removing one of the cheaper solutions within our grasp to tackle climate change.

## 2) Discussion document questions

### Chapter 6: What is the problem?

#### 1. Do you agree with our description of the problem?

We agree with parts of the problem definition but find it overall too simplistic and binary.

A high carbon price is needed to de-carbonise society, particularly fossil fuel reliant sectors. It is also needed to promote the right type of forestry that otherwise would not be economic e.g., diverse long-lived forests (both exotic and indigenous) that are grown for carbon removals and other environmental benefits. A high carbon price is not needed necessarily for plantation forestry, and it is certainly not needed for low-cost poorly managed permanent monocultures.

We are also extremely doubtful that permanent forests put at risk New Zealand’s long-term emissions reduction targets. First, the science is clear that New Zealand’s targets are inadequate to limit global warming to 1.5C-degrees. Any additional emissions reductions permanent forests deliver should therefore be welcomed. Second, surplus reductions achieved through forestry could be traded offshore to generate export revenue, and help other countries meet their own targets. Finally, Government can use a mix of policy tools to encourage emitters to reduce emissions rather than use forestry offsets. For example, a limit could be placed on how many forestry units can be used by emitters to meet surrender obligations.

Lastly, we believe the environmental risks of permanent forests has been too narrowly construed. The question should be applied not just to exotic permanent forests, but **ALL** forests, including indigenous forests. Poor environmental outcomes are not unique to exotic permanent forests but applies to all forests and depends on management practices more than species types. For example, poorly managed ‘lock and leave’ regenerating indigenous forest can be a major fire hazard with a dominance of combustible pioneering species such as gorse, broom and manuka. Without adequate pest control they are also a breeding ground for possums, deer, pigs, and a desolate place for biodiversity.

#### 2. Do you have evidence you can share that supports or contradicts this problem definition? Or that demonstrate other problems?

Yes. We manage the ETS operations for over 25,000 hectares on behalf of clients throughout New Zealand. More than 50% of this portfolio is permanent forest, and a large component is indigenous forest. We are open to discuss the particular issues with officials in more detail.

#### **Chapter 7: Assessment criteria**

3. *Do you agree with our criteria for managing permanent exotic afforestation? If not, what would you change and why?*

Yes, we agree with the criteria chosen.

#### **Chapter 8: Designing exceptions (option three)**

4. *Should we provide for exceptions allowing exotic species to register in the permanent forest category under certain conditions?*

We strongly support exotic forestry in the permanent scheme, provided a strong and robust framework is implemented to achieve desired environmental and social outcomes.

5. *Are there particular circumstances that you support introducing exceptions for (for example, exceptions for certain species of exotics)? Why?*

We strongly support exceptions but disagree with exceptions based on tree species (e.g., *Pinus radiata*) or type of landowner (e.g., farmer only). We think exceptions should be based on long term objectives, primarily based on environmental and community outcomes.

6. *Are there alternative ways we can recognize and encourage these forests, either within or outside, the NZ ETS? (For example, through the resource management system).*

No comment

7. *Of these options, what is your preferred approach? Why? Are there other options you prefer, that we haven't considered?*

We support option 3. However, the language should be changed from a focus on exotic forests to apply to all forests. We suggest the option should change from "Prevent exotic forestry from registering in the permanent category in the NZ ETS WITH EXCEPTIONS" to "Allow forests to register in the permanent category in the NZ ETS provided certain conditions are met".

8. *Do you agree with our preferred approach (acting before 1 January 2023)? Why/why not? If not, what is your preference?*

We do not agree with the preferred approach. If changes happen, we believe they should come into practice when they have been consulted properly. We believe in having a well-informed discussion in 2022, and potentially start to implement changes in 2023, with a possibility to implement further changes that require longer reflection no later than 2025.

We are particularly concerned for stakeholders being adversely affected who have already made significant investments towards establishing forests with the intent of entering the new permanent activity. Within our own client base, there are many landowners who have already invested in

thousands of hectares of new permanent exotic forest. We believe any last-minute regulatory changes must avoid adversely affecting these stakeholders.

9. *Do you support exceptions by regulations [option 3a] or exceptions after a moratorium [option 3b]? Why?*

We support option 3a which would allow more flexibility for proper thoughts and reflection over time and would also not disproportionately affect stakeholders who have already made significant commitments based on entering the new permanent forest category.

*If we choose to introduce exceptions by regulations, what conditions or criteria should be placed on the Minister in choosing to pursue these?*

Conditions and criteria would need proper public consultation and engagement with relevant experts. However, as a starting point we advocate for the new permanent ETS scheme reverting to the 100-year permanence period originally proposed under the PFSI, re-instating stricter restrictions on harvesting under the PFSI, and requiring each forest have stringent long term management plans to ensure robust fire and pest control measures. In addition, the Crown should retain the right to suspend participants earning NZUs who fail to meet the scheme rules.

*If we choose a moratorium (Option 3b) – how long should it be? Why?*

We strongly disagree with this approach. It introduces too much uncertainty for landowners wishing to get underway with establishing forests.

*Do you think a different type of moratorium (whether it requires a decision to be ended/continued) would have different impacts? Or do you prefer a different approach?*

No comment

## **Chapter 9: Implementing changes to the permanent forest category**

10. *Currently the NZ ETS defines forests based on the predominant species in a hectare. However, forests change makeup over time. Do you think this definition of exotic and/or indigenous forests is appropriate for the permanent post-1989 category in the NZ ETS?*

Yes, we believe it is appropriate. First, we do not support a blanket ban exotic forestry from the permanent category. Therefore, a differentiation between forest type is not required. Second, forestry under the ETS is already far too complex. This change adds further unwarranted complexity.

11. *What level of exotic species in a forest would be acceptable for the forest to still be classified as an indigenous forest, and registered in the permanent post-1989 category in the NZ ETS?*

No comment.

12. *If forest changes from indigenous to exotic while registered in the permanent category, do you think it should be removed from the category (Option 1), or be treated as indigenous (Option 2)? Why? Are there other options we haven't considered?*

No comment.

13. *If we choose to remove forests which have become predominantly exotic over time from the category, how do you think we should do this? Why?*

No comment.

14. *If exotic forests are removed from the permanent category, what would an appropriate penalty be for clearing the forest before the end of the permanent period? Do you think the current penalty needs updating?*

No comment.

15. *Are you a PFSI covenant holder?*

No, but we represent around 70% of the PFSI covenant holders throughout the country.

16. *Do you agree with the proposal to allow exotic forest land in the PFSI to transition into the permanent post-1989 forestry activity, or would another approach be more suitable?*

Yes, we strongly support this proposal. It is of fundamental importance that PFSI participants who have participated in the PFSI for many years are permitted to continue in the new ETS permanent activity. Furthermore, some of the PFSI covenant holders have long term commercial arrangements such as carbon contracts which rely on permanent forestry.

#### **Chapter 10: Averaging accounting for remote and marginal land**

17. *Should the Government create a long rotation category under averaging accounting for Pinus radiata forests which are not profitable to harvest at age 28, recognising the additional carbon which is likely to be stored by these long rotation forests?*

We conditionally support a long rotation forest category, but for *all* forest types, not exclusively Pinus radiata. This is particularly important for longer term managed species for timber production such as redwoods, some eucalyptus species, and Douglas-fir.

A long rotation for all forest types becomes necessary if the proposal to ban all exotic forests from the permanent forest category is implemented.

#### **Chapter 11: Incentivizing indigenous afforestation**

18. *Do you have any further feedback on how the Government can reduce barriers and incentivize to permanent indigenous afforestation to ensure we deliver long-term resilient, biodiverse forests?*

We do not support the use of the ETS as the primary tool to encourage indigenous reforestation. Direct subsidies such as the 1BT are a better option.

### **Appendix**

#### **Note on making this discussion public**

We consent to the submission being made public.