

Politics and carbon – controversy continues to provoke policy response

Kit Richards



Figure 1: An economic value on sequestration provides a one-off opportunity for limited diversification of the forestry model into some alternative species inclusive of the potential for continuous cover regimes

Abstract

Adjustments to remove permanent exotic forests from eligibility in the Emissions Trading Scheme (ETS) are of concern. Driven by fears about a ‘pine invasion’, some of them could have some basis in truth if not managed. The New Zealand Institute of Forestry (NZIF) has taken the position that some added controls on exotic permanent forests are warranted, but there are opportunities and benefits that should not be missed. Flexibility is important and adjustments to the ETS, plus a National Environmental Standard – Carbon Forestry (NES-CF) for permanent forests separate to the National Environmental Standard – Plantation Forestry (NES-PF), is thought to be a better way forward. To meet greenhouse gas (GHG) commitments, New Zealand will need more trees and those trees will need to be on farmland.

Background

Most forestry practitioners will be aware of the government discussion document titled ‘Managing Exotic Afforestation Incentives’. In this document, the Ministry for the Environment (MfE) and the Ministry for Primary Industries (MPI) have sought feedback on proposals to change the rules applying to exotic afforestation under the Emissions Trading Scheme (ETS).

The proposed changes reflect the heightened political sensitivity generated by the regular and well-

orchestrated campaigning of various parties – from those opposed philosophically to pine trees in the landscape, to those wedded to traditional agricultural practice, or those wanting nothing other than massive publicly funded native afforestation programmes. Much of the pressure has been centred on the allegation that the Government is orchestrating the conversion of ‘good’ farmland into forests using the current price on emissions as a form of subsidy encouraging landowners to change land use.

The concerns of those opposed to landowners deciding to plant forests in simple, and often overlapping, terms has been characterised as:

- A theoretical risk that new plantings will only create permanent forests of radiata pine
- ‘Productive’ farmland will be displaced (at a rapid and extensive rate) by ‘unproductive’ pine forests
- Afforestation is by overseas investors motivated solely by remitted profits overseas at the expense of New Zealand jobs, removing land from future productive capacity, and in contravention of Overseas Investment Office (OIO) obligations
- Forestry provides little or no employment and displaces agriculturally oriented rural communities
- Plantations are biological deserts and only natives should be being planted

- Plant and leave pine plantations will lead to added fire risk in rural communities
- Plant and leave plantations will be a disease and biosecurity risk
- Pine plantations are short-lived, will be a land stability risk on erosion-prone land and will fail to provide a long-term sequestration solution for New Zealand.

It is clear that over past months the concerns that had been widely promulgated by some, and also increasingly politicised, created the momentum that there was seen to be a 'need to be seen' to intervene in a policy sense. The discussion document appears to have arisen from that.

Also, the Parliamentary Commissioner for the Environment has been on record (e.g. during a presentation to the NZIF Central North Island regional meeting in 2020) as having the view that planted pine forests were not necessarily an appropriate means to sequester long-lived greenhouse gases (GHGs) because of their vulnerability to external adverse environmental conditions and changes in human decision-making. This concept appears to have informed the Climate Change Commission's recommendations that pine planting is desirable to pull New Zealand's short-term emissions profile into line, while native plantings are needed to address what would be longer-term hard-to-ameliorate emissions.

The problem for the forest industry is that if good information and data is not used to inform the discussion, then as stand-alone arguments all the points listed above have some potential to be correct to some degree! The developing storm has therefore started to become a credibility problem for the whole industry, for permanent and rotational forestry alike.

Policy response

The discussion document, in response to the various pressures, has crystallised the problem into:

1. 'It will drive land use change and displace productive land uses that provide wider economic and employment benefits.'
2. 'It may make it harder to achieve our long-term climate change targets' – explained as creating a relative high supply of New Zealand Units (NZUs), thus undermining the other initiatives intended to reduce gross emissions.
3. 'Widespread permanent exotic afforestation has environmental impacts' – erosion, wilding pines, fire and disease being listed examples.

The discussion document then sought to present options in response to the perceived problem, namely:

- Status quo – do nothing (recognising that the option for permanent forests had not even come into force yet following the recent changes to the ETS allowing for averaging and permanent forestry)
- Prevent non-rotational forestry (i.e. permanent exotic forests of any species) being entered into the ETS

- Prevent permanent forest entry into the ETS, but with specified exceptions. For this option, pathways to implementation could be either by way of the subsequent introduction of regulations to establish the conditions around exceptions, or by a moratorium on any permanent forest until all the exceptions and rules had been developed.

ETS and the role of forestry

It goes without saying that the rapid development and announcement of this policy initiative, in combination with the flagging (detail as yet unannounced) of other potential impactful changes (such as a 'New national direction for forests' to be managed through the Resource Management Act 1991 legislation or the National Environmental Standard for Plantation Forestry (NES-PF) and whatever changes that may arise from this), have caused some consternation.

Here, before the ink had even dried on the last revisions of the ETS, further changes were being suggested which would reverse (in a matter of months) options that had been enabled in those recent changes, but had not yet even come into force legally. As an industry with relatively long-term investment cycles, its history of involvement with the ETS has hardly been one that exhibited a stable investment and apolitical platform.

The NZIF noted that this was a concern in its submission. It was also pointed out that the political choice during the formation of New Zealand's climate change response legislation was to put a value on sequestered carbon. This strategy, which was going to assist New Zealand in reducing its net GHG emissions at least cost to the New Zealand taxpayer was always going to transfer into a drive toward land use change from farmland to forestry inclusive of carbon-only forestry. This was a well-modelled and forecast reality.

The alternative, solely a price on emissions only (and especially if agriculture was included), would still have driven land use change to forestry due to further declines in farm profitability and land value. But the forestry would have been rotational timber production forestry as there was no added economic incentive for carbon sequestration. That politically the current result is being considered to be somewhat undesirable and requiring further adjustments 'on-the-hoof' should be a red flag warning about hurried or expedient policy formulation.

NZIF policy guidance

In submitting on the proposed ETS document the NZIF was mindful to take a position that reflected its:

- Articles promoting professional forest management in all its forms
- The outcomes of the NZIF Forest Policy Project
- Past submission on the ETS legislation, and
- The Climate Change Commission's draft recommendations.

The Institute's forest policy document sought outcomes that saw the 'establishment of commercial forest and wood processing that provided direct economic benefit to NZ', and the 'establishment and sustaining of forests that sequester carbon, with or without other purposes' (Policy Sections 1 and 2). At the same time, Sections 3 and 4 are directed at sustaining and protecting biodiversity and mitigating the risks of erosion and flooding. Sections 5, 6, 7 and 8 include policies aimed at managing landscape aesthetics and use opportunities, mitigation of pest and predator risks, maintaining alignment with regional development priorities and building social licence.

In aggregate these policies recognised the contribution that forests and, more particularly (in the context of the ETS discussion document), afforestation could make to the economic and social wellbeing of New Zealand. They also recognised that risks aligned with some of the fears previously listed did exist and did need to be managed.

NZIF submission

On the basis of the considerations listed above, the submission by the NZIF (in summary) acknowledged that:

- New Zealand could not and should not try to plant its way out of its emissions obligations, an already widely expressed recognition
- Exotic afforestation as a means to provide 'breathing space' in the short term as New Zealand adjusts to a carbon neutral future was supported
- As outlined in the Climate Change Commission's draft recommendations (and amendments), native forest afforestation was to be encouraged to counter the impacts of long-term hard-to-eliminate GHG emissions. However, consistent with our submission to the Commission, success and cost-effectiveness from active native planting at scale were likely optimistic
- Large-scale plant and leave afforestation and/or misaligned policy settings could undermine other key planks of strategic shift required to achieve a biocircular economy, including the supply of wood fibre for solid wood structural and reconstituted biomaterials products.

The NZIF called for a more nuanced approach than promoted in the discussion document, one that applied to multiple (including exotic) species through sustainable and well-managed frameworks across all forest types.

The issue of single objective carbon farming with exotics

In the view of the NZIF, the potential risks identified and associated with large-scale blanket planting of exotics (radiata) across all landforms had to be acknowledged as real. The problem was that the potential risk had become emotionally conflated as applying to all new afforestation on all farmlands, with

little tangible analysis of the actual levels and nature of the afforestation and management proposed.

In practice, there are large areas of New Zealand where identifiable landforms and geologies would make attempts at a permanent radiata forest cover risky. Equally, there are regions where there is a likelihood for there to be an increasing frequency of high-intensity storm events or droughts which would also make such activities of dubious value. Some of these considerations would also need to be applied to decisions on native afforestation. The key is to have mechanisms in place to ensure such risks are taken into account at the site, rather than attempting a broad-based ban. History has also taught us that high-density untended exotic stands are generally more prone to forest health and biosecurity problems.

In direct response to the proposed policy options, the NZIF therefore proposed that the most appropriate way forward was to exclude plant and leave exotic afforestation from the ETS (but with exceptions) and that these exceptions should:

- Provide for small patches of plant and leave exotic afforestation in farms where such areas could be part of a farm's management for offsetting its own GHG footprint. Most of us are well aware of the 'woodlot out the back' that was never going to be economic for harvesting. Instead, at a farm-scale such topographies might now be planted with no intention of harvest while performing multiple useful functions on-farm, as well as earning income or at least offsetting costs
- Enable such permanent afforestation for other longer rotation exotics (e.g. redwoods, cypress and eucalypt), where species characteristics provide for more resilience, and where after an extended period a permanent cover forest management model may even become an economically viable model given the initial investment costs have long been sunk or paid for by the carbon units accrued to that point. It was noted that with a long history of clamouring for more diversity in the forest industry, the carbon markets provide a one-off opportunity to fund and encourage a limited shift in that direction and might also secure environmental, economic and employment benefits, albeit deferred into the future
- Include the option for radiata forests where such are planted (in the right bioclimatic sites) as part of a transitional programme to native forests, subject to an expressly constructed management regime to achieve those objectives
- Include the provision for nominating longer rotation radiata forest for some situations where, owing to transport leads, standard rotations may not provide for an economically viable harvesting option. It was noted that where such an option was intended there would need to be notification of intent to exercise the longer rotation well in

advance, and a later decision not to harvest should not accrue added credits beyond the nominated rotation to prevent 'gaming of the market'

- Revise the concepts around the very binary approach to differentiating native and exotic plantings as good and bad. There may well be areas, particularly on Māori land, where an interspersing of low spread risk exotics in amongst incomplete, degraded native regeneration in suitable climatic conditions on safe topographies might enhance income opportunities and forest cover restoration.

In response to other ancillary matters, the NZIF took the view that in providing for exceptions and managing the risks there was cautious support for the notion of a National Environmental Standard – Carbon Forestry (NES-CF). This should be separate to the NES-PF, or at least follow a different path at the very first designation of the primary intent of any afforestation, to combat the inclination for regulators to continue the conflation and subsequent regulation of potential risks associated with permanent forests with those arising from timber production forests with carbon co-benefits.

The use of the NES model would enable the development of support tools as is already the case in the NES-PF, such as denoting landforms and climatological zones where such permanent forests may be unsuitable or need greater risk management. It would also provide a vehicle by which management plans required to execute the transition from pine to indigenous vegetation could be made transparent and monitored.

If the policy route was to provide for exceptions, NZIF believed that this should be handled by way of the introduction of regulations rather than an outright moratorium until a new regulatory framework was devised. Neither was ideal, but the latter route would enable political inaction with no incentive to complete the required framework.

The NZIF also called for a much-enhanced technical advisory role from either or both Council land management advisory staff or Te Uru Rākau/NZ Forest Service to assist in ensuring that a more nuanced approach could be successfully and competently implemented under an NES-CF across New Zealand's diverse landscapes.

As a final point, the NZIF also noted that it was unconvinced by the argument that 'excessive plantation carbon farming' would depreciate the value of NZUs, enabling polluters to offset their emissions cheaply without avoiding them outright. There are many tools available to the Government to maintain, increase or decrease the supply of NZUs in the market.

Conclusion

The pathway that has evolved to this point in the ETS regulations is an unfortunate reminder that forestry in New Zealand is still not well accepted or understood for all the values it brings. As a sector that provides multiple services, it is also 'expected' to provide multiple services in



Figure 2: In the right conditions (rainfall and seed source) transition from pine to native is almost certain, but active management will be a necessary component to ensure success and a smooth transition

ratios that are determined by the interests of the recipients of those services who often have very different objectives and agendas. This current round of policy emphasises, as if this was needed, that the sector remains vulnerable to the vagaries of short-term policy formulation and that continuous engagement in those venues is the only defence. At the same time, the sector cannot afford to deny risks where they exist and needs to respond accordingly.

At a national level, and irrespective of the overt or covert intent to reduce exotic afforestation for carbon sequestration, New Zealand was (if it was to achieve a circular bioeconomy) already going to need to see a lot more planting and much of that planting was going to need to be on farmland. The argument about loss of productive farmland needed to be separated at least from afforestation for timber production with carbon co-benefits.

Kit Richards RMNZIF, FNZIF is a Councillor and is based in Rotorua. Email: orakau@extra.co.nz