

The Emission Trading Scheme (ETS) announced by the Government in late September will come into operation on the 1st January 2008. At present agriculture contributes almost 50% of New Zealand's total emissions. ETS has implications for both farmers and foresters. Below outlines what you need to know for your business;

Implications for the forestry or farm forestry sector:

- The Government has set up the Afforestation Grant Scheme – This scheme is where the Crown will subsidize new forestry plantings. The Crown will retain both the sink credits and liabilities for harvesting, and the forest owner will receive return from the value of the timber. The scheme is available to exotic and indigenous plantings, and assisted indigenous reversion forest.
- Post 1990 forest owners can join the ETS within 18 months of the legislation being passed, or wait until 2012 to join. If owners join they will need a carbon sink assessment of their forest at least once during the 2008-2012 period. The land owner, or owner of the lease or forestry right owns the carbon credits and the liabilities associated with harvesting.
- Pre 1990 forests of less than 50 ha will not earn credits for the owner but the owner will be liable for deforestation liabilities if not returned to forestry. The Crown will issue credits to pre-1990 forests of greater than 50 ha. Exemptions are also available for removing weed trees.

So, if you have a property with 100 ha of pine planted in 1987 as a joint venture, 49 ha of eucalyptus planted in 1989, the back paddock that has been growing scrub since 1995, and another paddock is earmarked for planting in 2008, how does this affect you? Your pines will receive credits from the Crown, but the joint venture owners (not necessarily the landowner) will be responsible for the harvesting liabilities if not replanted. The eucalyptus will not qualify for credits, but you will be liable for the harvesting if not replanting following harvest. The scrub will receive credits, but you must sign up to the ETS in the next 18 months or wait till 2012. The final paddock can be planted with a Crown Afforestation Grant and you will only receive income from the timber harvesting and not the carbon credits.

Implications for pastoral farming:

- The agricultural sector will not enter the ETS until 2013. Up until this time the government agreed to meet the cost of non-CO₂ emissions from the agricultural sector. This is on the condition that the sector increases its research effort on techniques aimed at reducing emissions.
- Currently opportunities for reducing emissions from farmers are limited but some include lowering nitrous oxide emissions through the use of nitrogen inhibitors, and the more effective fertiliser use. Off setting your emissions with forestry is another opportunity.
- The ETS is aimed to ensure that the cost of carbon is factored into farmers' investment decisions, such as the change in land use to production systems that result in higher emissions. The Government has already stated that land developed from forestry to pasture production after 1 January 2008 will attract a \$12500/ha tax.
- The Government expects the agricultural sector to start taking steps towards reducing emissions before 2013. It will require the agriculture sector to monitor

and report on its emissions as early as 2011. The five year period before agriculture enters the scheme will also provide opportunities for:

- Pilot farm level monitoring and reporting emissions;
 - Increased contribution from the sector towards research into mitigation and adaptation;
 - Increased sector contribution to technology transfer; in particular commitments to roll out mitigation technology and energy efficiency on farm.
- The Government has not reached a final decision on where to place the primary obligations of ETS for agriculture. Its initial preference is for the dairy and meat processors and fertiliser companies to be the primary points of obligation, and therefore have responsibility to report emissions and surrender units on behalf of the sector.

What does this mean for farmers out there? Each and every farmer should be considering their energy requirements and emissions generated from their farm business. Consider your growth over the next five years? We would hazard to guess most farm business could not handle the demands of ETS at this point, let alone in five years time. It is time to start future proofing your business! Consider options such as improved nutrient management, the development of energy efficient activities on farm, or the identification of areas that are suitable for afforestation to reduce you footprint. Want to know more? Contact Lachie or Sarah at www.landvision.net.nz or 021526458



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