



Emissions Trading Scheme Consultation Submissions Analysis

Date: 28 March 2019

Purpose of this document:

This document summarises and analyses the feedback the Ministry for Primary Industries received from the consultation phase on the elements proposed for inclusion in the ETS. The Ministry will use the submissions received during consultation as part of evidence to inform its advice on the ETS changes.

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1. Introduction

1.1 Document Purpose

This document summarises and analyses feedback the Ministry for Primary Industries (MPI) received from consultation on the elements proposed for inclusion in the Emissions Trading Scheme (ETS). The Ministry will use the submissions received during consultation as evidence to inform its advice on the ETS changes. Other evidence such as science, economic data, and modelling will also inform the Ministry's work on the ETS changes.

1.2 About the Emissions Trading Scheme

Introduced in 2008, the ETS is New Zealand's key climate change policy tool to reduce greenhouse gas emissions. The scheme aims to help New Zealand to meet its emission reduction targets by driving reductions in emissions below "business as usual" levels. One of the main reasons the ETS was introduced was to help New Zealand to meet our climate change commitments under the Kyoto Protocol, and support global efforts to reduce greenhouse gas emissions.

1.3 About the ETS Consultation

The Ministry for Primary Industries (MPI), The Ministry for the Environment (MfE), and Te Uru Rākau publicly consulted on a package of proposed changes to the New Zealand ETS in August and September 2018. Following the conclusion of consultation, officials have completed an initial review of the 253 submissions received. Submissions were received from corporates, industry bodies, community organisations (e.g. NGOs), Iwi and Māori organisations, and individuals.

1.4 Purpose of this ETS Consultation

MPI consulted on proposed changes to the ETS with the aim of simplifying the way the ETS works for forestry participants, increasing afforestation and enabling more flexibility in the scheme rules to support the right trees being planted in the right place for the right purpose. A number of opportunities have been identified to improve the ETS settings for forestry participants so that the scheme better incentivises new forests to be planted in New Zealand.

The ETS changes could lead to an estimated increased contribution of around 89 million trees to the One Billion trees programme (an increase from 130 to 219 million trees over 2018 - 2027). Proposed changes to the ETS are intended to encourage increased carbon storage across a range of different forest types, including permanent and indigenous forests.

Recent reports from the Productivity Commission and GLOBE New Zealand, consistent with modelling for the Zero Carbon Bill, have identified that the most cost effective source of domestic emissions mitigation in New Zealand is afforestation. The transition pathways

identified in these reports rely on a significant amount of new forest being planted over the next 30 years. Encouraging New Zealanders to plant more trees will help to achieve key Government objectives, including transitioning to a net zero emissions economy, improved environmental outcomes such as water quality and erosion control, regional economic development, and the Government's target to see one billion trees planted over 10 years.

2. The Consultation Process

A six week public consultation ran from 13 August to 21 September 2018. MPI, MfE and Te Uru Rākau publicly consulted on a package of proposed changes to the ETS framework and the forestry settings within the ETS.

Combined MPI, MfE and Te Uru Rākau public consultation workshops were attended by 575 people across;

- Whangarei
- Auckland
- Rotorua
- Gisborne
- Napier
- New Plymouth
- Wellington
- Nelson
- Christchurch
- Dunedin

A separate Māori Leaders Workshop was also held in Wellington as part of the consultation.

3. Summary of the Submissions Received

In total 253 submissions were received. 147 of these submissions responded to the forestry proposals and 162 to the MfE proposals.

Submitter Type	Number of Submissions
Forestry	61
Individual	49
Business/ industry Group	45
Local government	15
Iwi/ Māori	13
Non-Government organisation/ community group	13
Agriculture	10
Electricity	10
Industrial processors	8
Liquid fossil fuels	7
Stationary energy (excluding electricity)	6
Other	6
Research and tertiary organisations	5
Market intermediaries	2
Wood processor/ manufacturer	2
Waste	1
Grand total	253

4. Submissions Analysis

4.1 Simplified Accounting Approach for the ETS

Question 1.

Do you agree with the Government's preferred option to require all people who register new forests in the ETS to use averaging accounting? If you disagree could you please provide your reasons why? What do you think will be the main impact of this option for you or other land owners?

Respondents were invited to agree or disagree with Option 1 below;

Option 1 (Preferred): Require all people to register new forests in the ETS (first established after a certain date) to use averaging accounting.

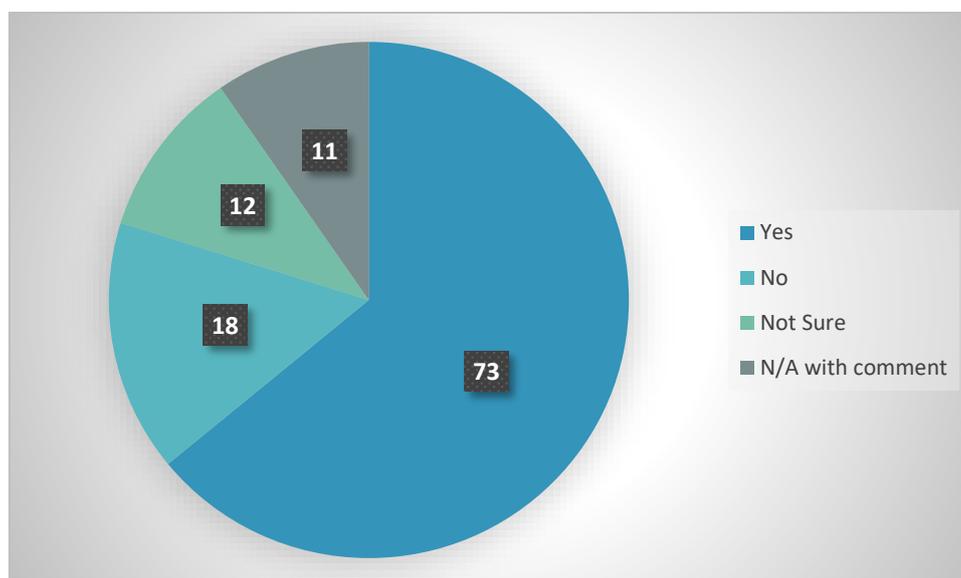


Figure 1- Do you agree with the Government's preferred option to require all people who register new forests in the ETS to use averaging accounting?

Seventy three out of 114 who expressed a preference supported the introduction of averaging. Those who supported the introduction of averaging commented on its simplicity and increased potential to drive afforestation. Some of those that supported averaging qualified their support by indicating they would prefer, if they had existing forests using the carbon stock change approach, for any new forests they plant to also be able to use the carbon stock change approach. Some submitters stated that their support is conditional on being able to gain credits for extending rotation length, which is highlighted in question six.

Many of those who did not support the introduction of averaging accounting instead preferred the optionality between growing their forest for carbon or timber that the current approach provides.

Question 2.

Out of the three options presented regarding averaging accounting and existing forests could you please select your preferred option? Could you please explain why it is your preferred option? What do you think will be the main impacts of this option for you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to select their preferred Option from the three below;

Option 1: Continue with existing carbon stock change accounting.

Option 2: Require all ETS forestry participants with existing forests on post-1989 forest land to use averaging (if they register their forests in the ETS).

Option 3: All ETS forestry participants with existing forests on post-1989 forest land have a one off, one-way choice to use either averaging or carbon stock change accounting.

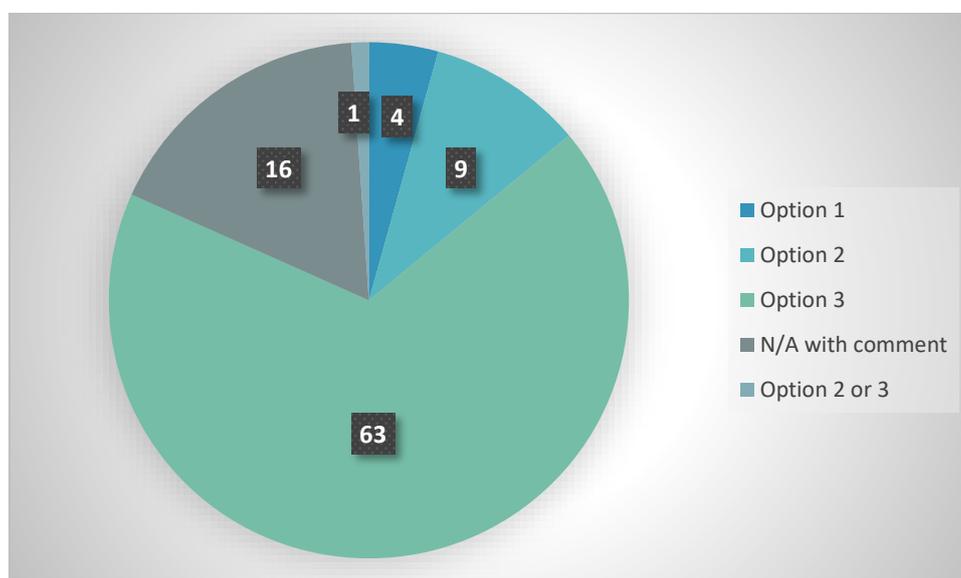


Figure 2- Out of the three options presented regarding averaging accounting and existing forests, could you please select your preferred option?

Sixty-three out of 93 submissions supported option 3, and 9 supported option 2. Some submitters noted that they, or their clients, would mostly be better off under averaging. Others made their support conditional on the transition arrangement (in particular, the ability to transition after harvest). Many of the comments, including those that supported option 3, strongly expressed a preference for keeping the current approach in place alongside any new accounting system.

Most felt that there may be a split between those who benefit and those who may be made worse off by a transition to averaging, so an opt-in approach was most fair. There were a number of longer responses from informed submitters to question two. Of particular concern from these submitters was the potential for a mandatory change, as this would disrupt plans, sales, and contracts based on the existing approach. The most common concerns raised were:

- People had business plans based on the existing approach, and a mandatory change to averaging would leave them materially worse off.
- A mandatory change would leave many feeling as though their property rights had been infringed.
- Forward sales and existing contracts would be severely disrupted by a mandatory change.

Question 3.

Do you agree with the Government's option regarding transition considerations in a move to averaging accounting? If you don't agree could you please explain why? What do you think will be the main impact of this option for you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to agree or disagree with the Option below;

Option: ETS forestry participants with existing forests on post-1989 forest land who have an obligation to repay NZUs at the transition Mandatory Emissions Return Period (MERP) could be given the option to surrender units at the next MERP.

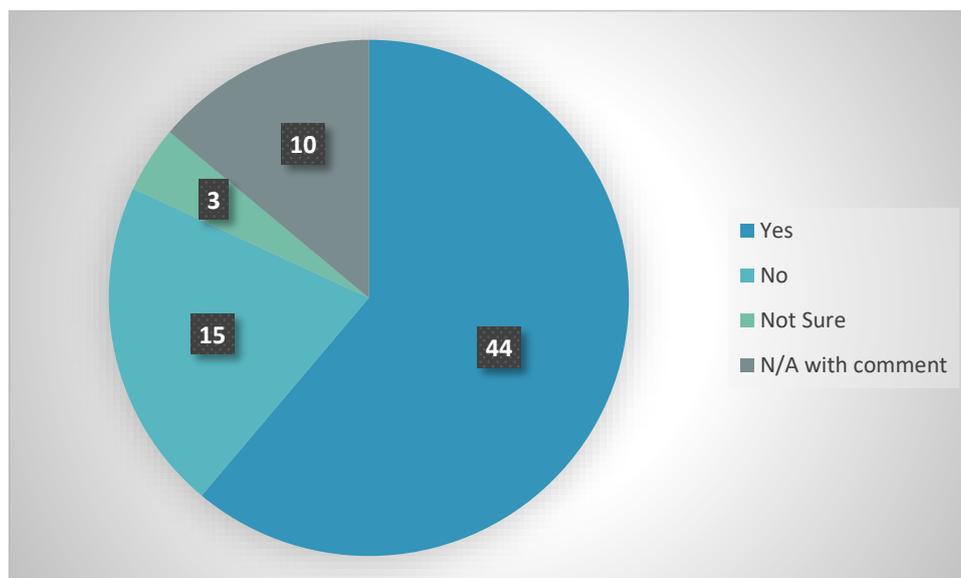


Figure 3- Do you agree with the Government's option regarding transition considerations in a move to averaging accounting?

Many of the comments in response to question 2 were directly related to the transition measure, so are addressed below. Forty four out of 72 submitters who expressed a preference supported the approach to transitions. However, there was significantly less support from those that commented. A large number of submitters mentioned fairness and equity in their responses;

- In particular, these comments had identified that the transition approach disadvantaged those who had planted earlier (in the 1990s), or had not yet entered the ETS.

- Some comments noted that existing foresters that were early adopters of the ETS should not be disadvantaged relative to new forests.
- Existing foresters had made decisions, such as leaving or not entering the ETS, in their best interest under the current approach that would now disadvantage them if they transitioned to averaging.

Some commented that the design of the transition measure meant that existing contracts would not be honoured, as they may have to transition before harvest. A few submitters therefore outlined that while they would be better off under averaging accounting, they would be unable to transition if required to do so before their first rotation harvest. Many submitters proposed that the transition should occur at their next harvest. Some said they would even support a mandatory change to averaging if a non-time bound decision to transition were allowed.

Question 4.

Do you agree with the Government's preferred option that trees planted after 1 January 2020 are 'new' forests? If you disagree could please provide your reasons why? What do you think will be the main impacts of this option for you or other land owners?

Respondents were invited to agree or disagree with the Option below;

Option: Trees planted after 1 January 2020 are "new forests"

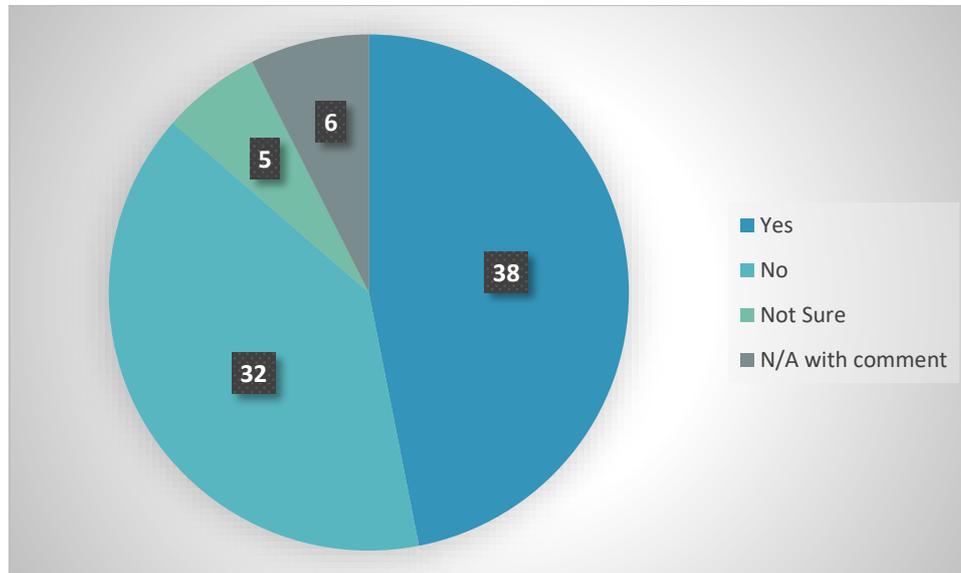


Figure 4- Do you agree with the Government's preferred option that trees planted after 1 January 2020 are 'new' forests?

Out of 81 submissions, there was a slight majority of 38 that supported the definition of a 'new' forest, as opposed to 32 in opposition. The majority of those who commented, regardless of preference, were concerned that the 2020 date would result in a delay of planting planned for 2019. Some proposed alternatives of 2018 or 2019, and outlined that some people had already planted or were intending to plant with the intention of using averaging. Many commented about the fairness of potentially treating recent plantings as

existing and keeping them on the current approach (if existing forests did not have the option to transition), even though they may be better off using averaging.

Stakeholders representing multiple individuals were divided. The Forest Owners Association did not agree, NZ Farm Forestry submitted 'not sure', and the Federation of Maori Authorities supported the definition.

Question 5.

Do you agree with the Government's preferred option to continue to require all ETS post-1989 forestry participants with land below 100 hectares to use default look up tables and those with land over 100 hectares to use the FMA approach to measure carbon storage in their forests? If you disagree could you please provide your reasons why? What do you think will be the main impacts of this option for you or other land owners?

Respondents were invited to agree or disagree with the Option below;

Option (Status Quo- Preferred): Require all ETS post-1989 forestry participants with land below 100 hectares to use default look up tables and those with land over 100 hectares to use FMA approach to measure carbon storage in their forests.

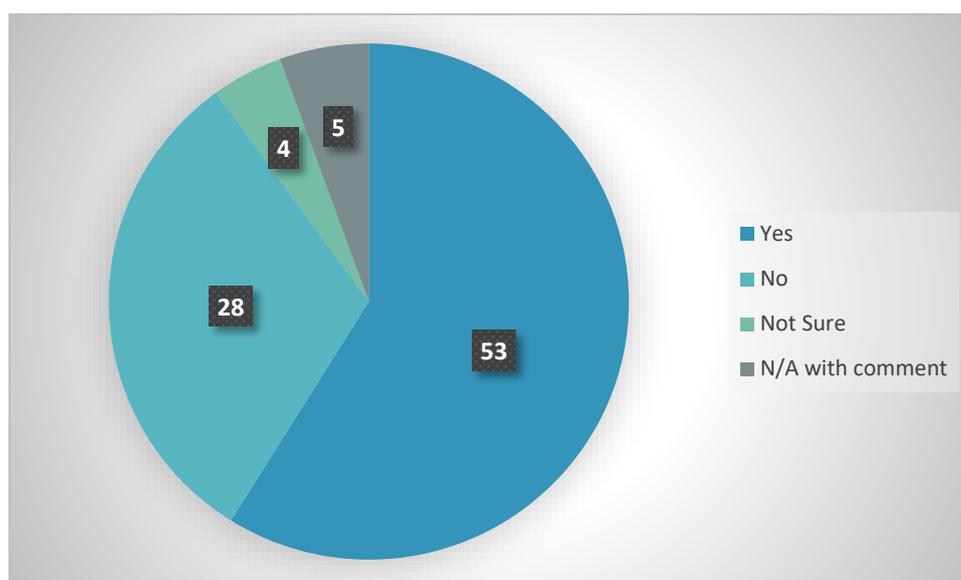


Figure 5- Do you agree with the Government's preferred option to continue to require all ETS post-1989 forestry participants with land below 100 hectares to use default look up tables and those with land over 100 hectares to use the FMA approach to measure carbon storage in their forests?

Fifty three out of 90 submissions that answered this question supported the preferred option, for reasons including administrative simplicity and low cost. Twenty eight submissions opposed the preferred option for reasons such as;

- the costs of the FMA approach for smaller land parcels (generally up to 500 ha) were disproportionate to its benefits (individual submitters)
- the look-up tables were insufficiently accurate or robust
- look-up tables incentivised exotic species at the expense of indigenous ones.

Four submitters were unsure.

Regardless of whether the submissions supported, opposed or had no opinion on the issue, repeated comments included:

- Revisions to the look up tables are needed – either because they are out of date, are too conservative or lack sufficient granularity
- Regional revisions are required
- The 100 ha division needs to be changed – some want the FMA to be used at a lower level, others want look up tables available at higher
- The costs for the FMA are high
- Participants should be able to choose their own preferred approach.

Question 6.

Out of the two options presented regarding how to calculate the long term average carbon storage age what is your preferred option? Could you please explain why it is your preferred option? What do you think will be the main impacts of this option for you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to select their preferred Option from the two below;

Option 1: The age at which the long term average carbon stocks occur is set as a series of default ages for all ETS forestry participants based on forest type and region.

Option 2: The age at which average long term carbon stocks occur is set as a series of default age bands for all ETS forestry participants based on forest type, but ETS participants can nominate a rotation length band as well.

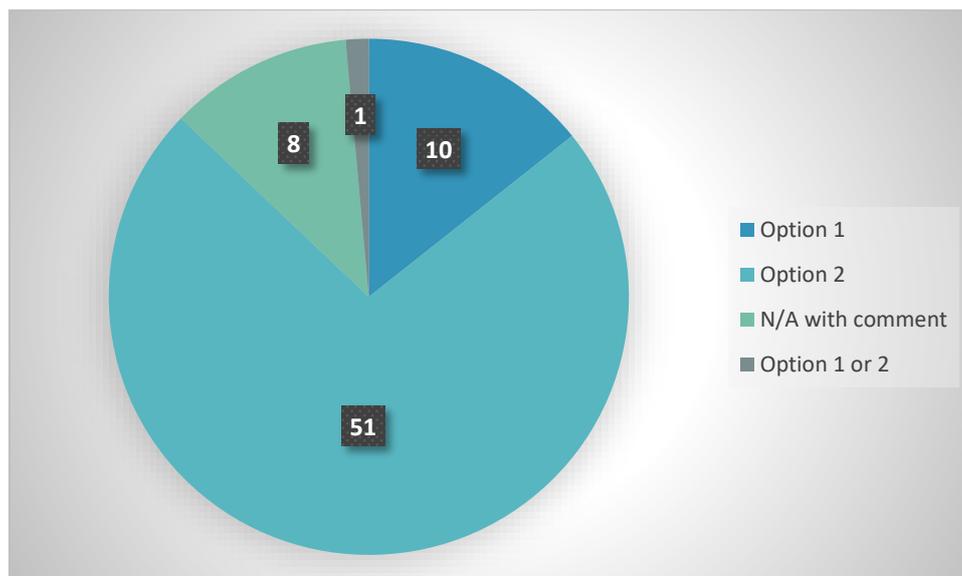


Figure 6- Out of the two options presented regarding how to calculate the long term average carbon storage age what is your preferred option?

Fifty one out of 70 submissions on this question supported option 2 (rotation bands), with 10 submissions opposing it. More submissions than not had no opinion on this issue. Those submissions that favoured option 2 generally cited that it would increase flexibility and improve carbon sequestration.

Those submitters who favoured option 1 did so on the grounds of its simplicity and administrative efficiency.

Many submitters also commented on what length the age bands should be if implemented. Five year age bands for *Pinus radiata* were suggested by multiple submitters.

Question 7.

Do you agree with the Government's preferred option regarding how a change to the average age in regulations can be applied to existing participants who are above the average age? If you disagree could you please provide your reasons why? What do you think will be the main impacts of this option for you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to select their preferred Option from the two below;

Option 1 (Preferred): ETS participants will not be required to repay NZUs after their forest reaches the average age (if they do not change the way they manage their forest).

Option 2: ETS participants will be required to repay NZUs after their forest reaches the average age (if they do not change the way they manage their forest).

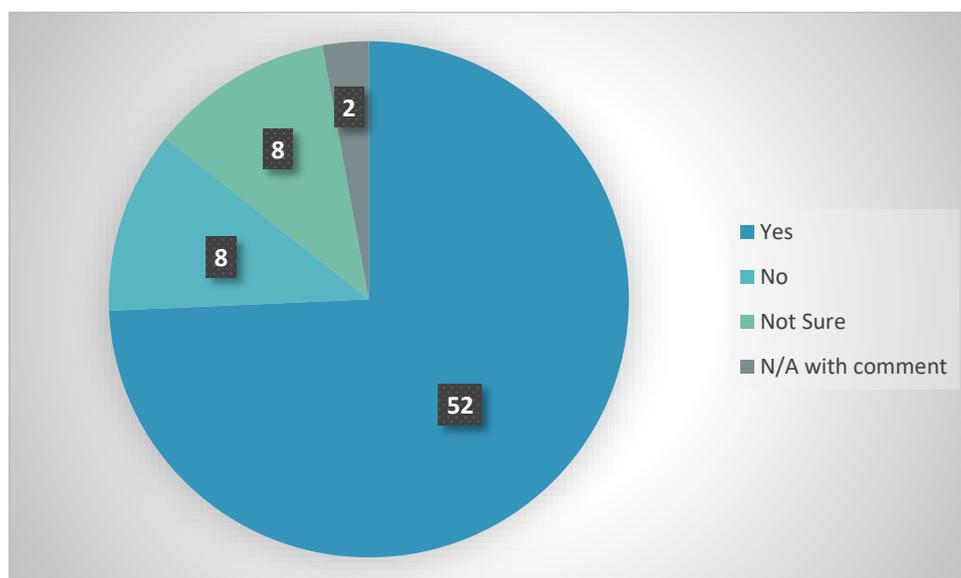


Figure 7- Do you agree with the Government's preferred option regarding how a change to the average age in regulations can be applied to existing participants who are above the average age?

Fifty two submissions out of 70 on this question supported the preferred option 1 of not requiring participants above their average to repay units if the average age of a forest is

changed in regulations. Eight submissions thought that ETS participants should be required to pay these units back.

Those submissions in favour of option 1 identified that it would support the confident trade of units, and avoid additional uncertainty for NZ ETS participants. It would enable participants to plant with more confidence due to reduced risk and greater regulatory stability.

Submitters identified that uncertainty around the level of future liabilities is a significant risk to ETS trading for current foresters and removing this risk is important for increased ETS uptake.

Question 8.

Do you agree with the Government's preferred option regarding how a change in the average age can be applied to existing participants who are below the average age? If you disagree could you please provide your reasons why? Could you also tell us below how you expect this change will affect you/other forest owners?

Respondents were invited to select their preferred Option from the two below;

Option 1 (Preferred): The Government is able to change the number of units ETS forestry participants using averaging receive to reflect changes in the average age set in regulations.

Option 2: Require ETS forestry participants using averaging to continue to surrender or receive NZUs as per the average age that was set in regulations when their forest was first registered in the ETS.

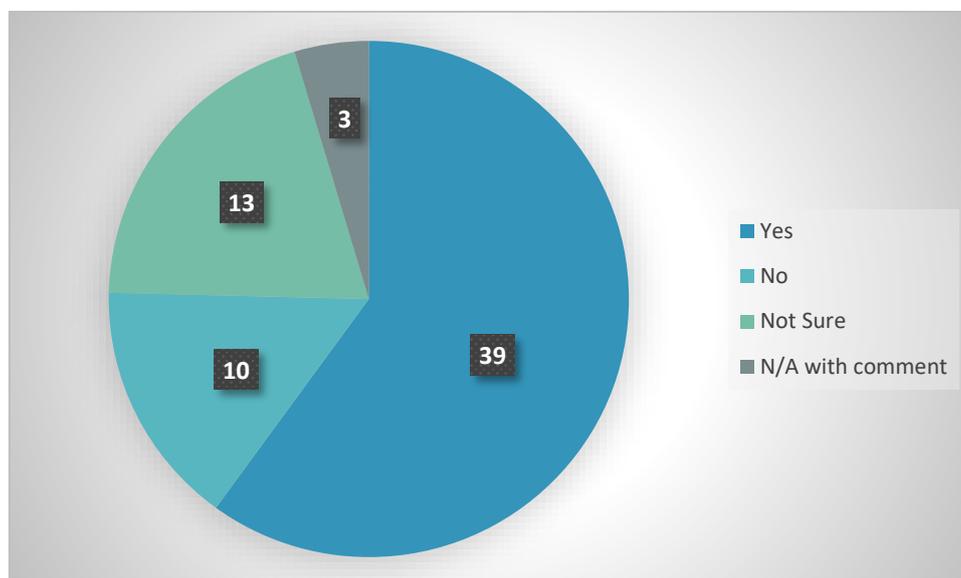


Figure 8- Do you agree with the Government's preferred option regarding how a change in the average age can be applied to existing participants who are below the average age?

Sixty five submitters answered this question. Thirty nine were in support of the number of units ETS forestry participants using averaging receive changing when the average age set in regulations is changed (option 1 - the preferred option). Ten were in support of requiring

NZ ETS forestry participants to continue to receive units up to the average age at the time they registered in the scheme (option 2). Thirteen were unsure.

Those that favoured option 1 did so on the grounds that averaging should reflect accurate carbon stock changes and unit entitlement.

Those that favoured option 2 did so on the grounds that it provided greater certainty to encourage planting.

Some submitters raised concern about perceived government 'manipulation' of the average age and that option 1 would lead to greater government interference in the market.

Question 9.

Do you agree with the Government's preferred option regarding how far back can a participant claim NZUs/emissions units on entry to averaging accounting? If you disagree could please provide your reasons why? What do you think will be the main impacts of this option for you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to agree or disagree with the Option below;

Option 1: Status Quo (Preferred) – An ETS forestry participant can only claim NZUs from the beginning of the MERP.

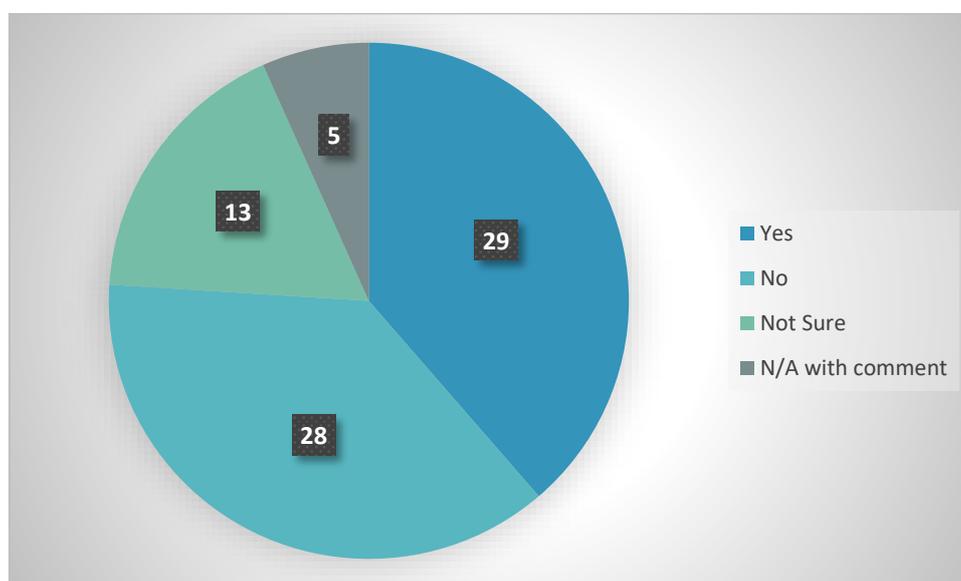


Figure 9- Do you agree with the Government's preferred option regarding how far back can a participant claim NZUs/emissions units on entry to averaging accounting?

Most submitters that commented on question nine made the connection to transitions and implications for existing forests. There were mixed responses to question nine with 29 of the 75 submissions supporting the preferred option and 28 opposing it.

Of those that supported, some mentioned that keeping the status quo was a simple and fair approach.

Of those that opposed, most mentioned that existing forests under this option would never earn the same amount of units as a new forest. Many saw this as unfair, or inequitable. In particular, they mentioned that it would disadvantage those outside of the ETS, relative to those who had entered, or would enter new forests. This would affect their land values, particularly if there were a compulsory transition to averaging. They mentioned that there was no environmental difference between different forests but they would be treated differently in the ETS because of when they entered, often because of a past decision by the previous land owner.

Some proposed alternatives, including being able to claim back to when the forest was first planted, or being able to claim back to 2008 when the ETS came into force.

Question 10.

Do you agree with the Government's preferred option for ongoing reporting requirements? What do you think will be the main impacts of this option for you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to select their preferred Option from the three below;

Option 1 (Status Quo): Measurement and/or reporting is required every MERP.

Option 2: ETS forestry participants only have to report deforestation.

Option 3 (Preferred): ETS forestry participants are required to report changes to the average age, deforestation and confirm continued management in each MERP.

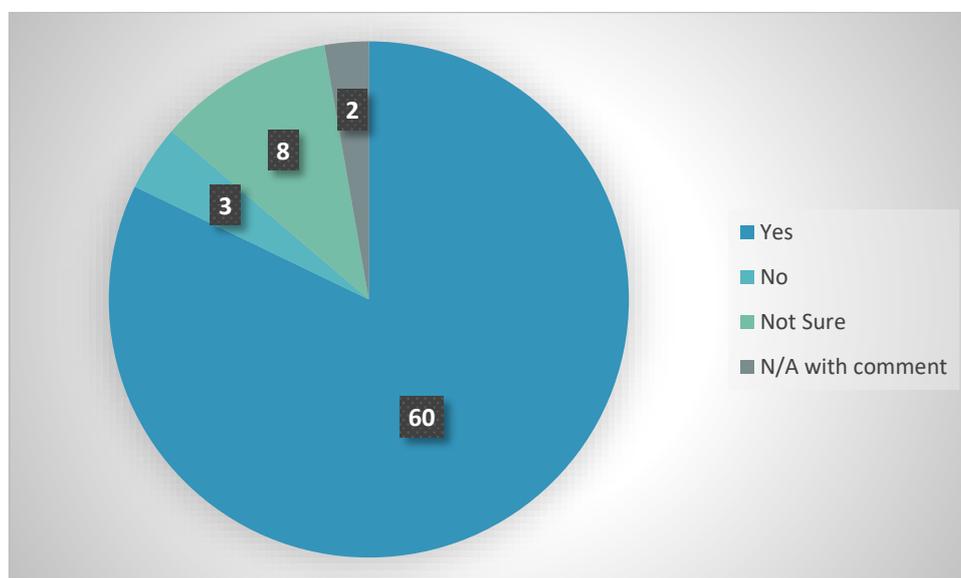


Figure 10- Do you agree with the Government's preferred option for ongoing reporting requirements?

Seventy three submissions were received. Sixty were in support of requiring ETS forestry participants to report changes to the average age, deforestation and confirm continued management in each MERP (option 3 - the preferred option). Three opposed and eight were unsure. More submissions than not had no opinion on this issue.

Submissions in favour of option 3 noted that it offers simplification and flexibility for reporting but also supports system integrity to confirm average age of harvest.

- Many submitters identified it as having the right balance of lower compliance and reasonable reporting
- Some submitters supported option 3 on the proviso that the FMA is still required up to harvest age
- Other submissions suggested that reporting should only be required when changes to average age or deforestation occur rather than every MERP period, or that “any change” in option 3 should not include adverse events
- Some submissions in support option 2 suggested that only deforestation should be reported, though one did note that this will only be the case after the average age had been reached.

4.2 Complementary Proposals to the Introduction of Averaging

Question 11.

Do you agree with the Government’s preferred option for ETS participants with forests subject to a temporary adverse event? If you disagree could you please provide your reasons why? What do you think will be the main impacts of this option for you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to select their preferred Option from the two below;

Option 1 (Status Quo): ETS forestry participants with post-1989 forests are liable for emissions from temporary adverse events.

Option 2 (Preferred): No liability for post-1989 ETS forestry participants, if under the “average” they pause and begin earning NZUs again once their forest has regrown to the carbon stock it held at the time of the event.

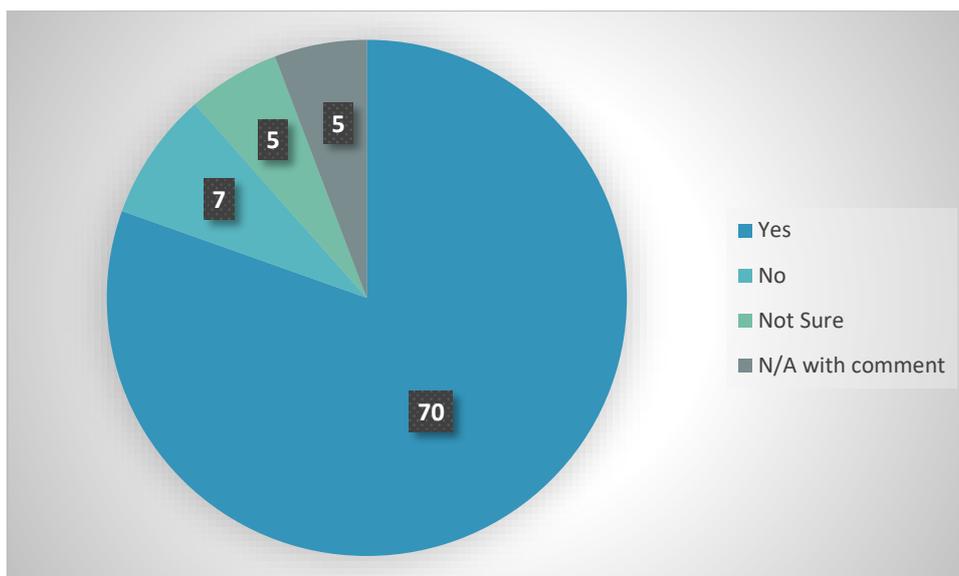


Figure 11- Do you agree with the Government's preferred option for ETS participants with forests subject to a temporary adverse event?

Seventy out of 87 submitters who answered question 11 were in support of providing adverse event cover for post 1989 participants on averaging accounting. Of the 87 submitters who answered this question, eleven mentioned that they would like this proposal extended to post 1989 participants who remain on the carbon stock change approach as well. Submitters who supported this option were in favour of its simplicity and mitigation of risk it provides participants. They believed that this proposal would increase afforestation and participation in the ETS.

A few submitters supported the proposal in general, and mentioned that more detail is needed as to what will be classified as an 'adverse event', how the monitoring and report of the event will happen, and how this will be accounted for within and across carbon accounting areas of a forest estate.

Those who opposed the proposal stated that NZU repayment does not form a large part of insurance cost, as participants will still have insurance for other losses such as the cost of re-establishment and value of timber. Some of these submitters also stated that participants would be better off re-earning the NZUs to provide ongoing cash flow, and that this proposal would not incentivise people to plant in low risk areas.

Question 12.

Do you think removing temporary adverse event emissions liabilities will reduce insurance premiums and incentivise people to register more forests in the ETS?

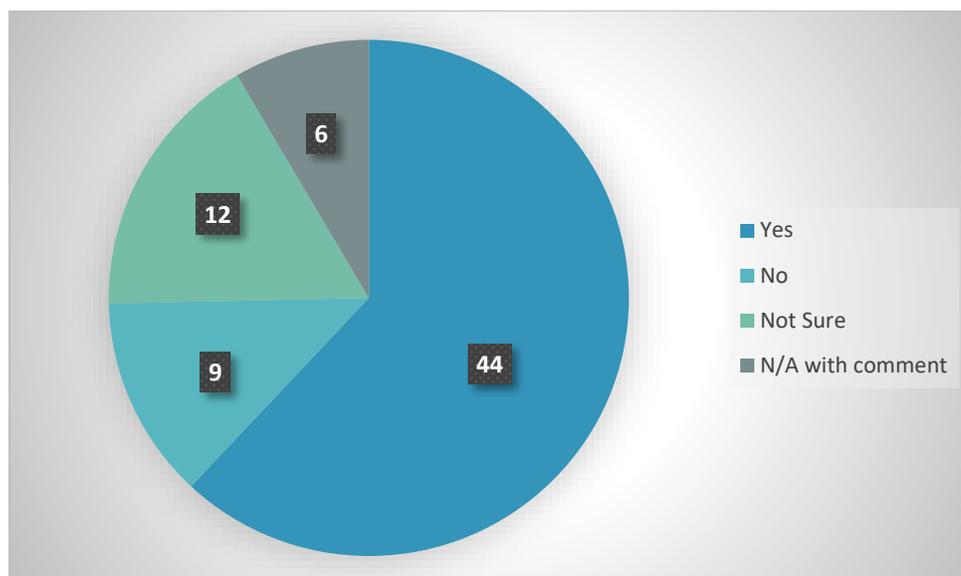


Figure 12- Do you think removing temporary adverse event emissions liabilities will reduce insurance premiums and incentivise people to register more forests in the ETS?

Forty four submitters out of 71 who answered question 12 believed that the proposal in question 11 would reduce insurance premiums and incentivise registration in the ETS.

Compared with question 11, more submitters were 'not sure' if the proposal would have the described positive impacts for the forestry industry and ETS participation.

Some submitters who answered 'yes' caveated their answer with the belief that the proposal will only slightly reduce insurance premiums. In addition to this, some submitters made the point that foresters will still have to pay for insurance to cover the other losses associated with adverse events, and that in fact NZU repayment is only a small part of the insurance premium.

Submitters also made the point that while it might not significantly reduce the cost of insurance, it will still help to de-risk participation in the ETS.

Question 13.

Do you agree with the Government's preferred option to introduce offsetting for ETS forestry participants with post-1989 forest land who use averaging? If you disagree could you please provide your reasons why? What do you think will be the main impacts of this option for you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to select their preferred Option from the two below;

Option 1 (Status Quo): No offsetting for ETS forestry participants with post-1989 forest land.

Option 2 (Preferred): Introduce offsetting for ETS forestry participants with post-1989 forest land who use averaging.

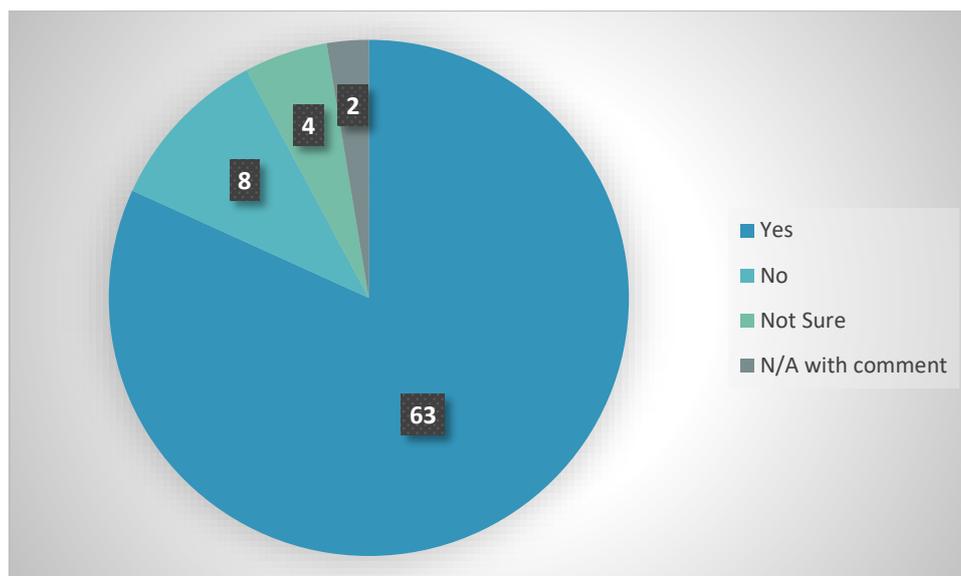


Figure 13- Do you agree with the Government's preferred option to introduce offsetting for ETS forestry participants with post-1989 forest land who use averaging?

Sixty three out of 77 submitters who answered question 13 agreed with the preferred proposal. The majority of those who agreed with introducing offsetting for post-1989 averaging forests supported their answer by stating that it would increase land use flexibility, encourage land to be used for its best purpose, and would help incentivise the 'right tree in the right place for the right purpose'.

A few submitters supported the proposal as they feel it will help to de-risk forestry as an investment, will encourage afforestation and registration in the ETS.

One submitter, who supported the proposal, made the point that as time goes on it will be harder and harder to find suitable land to offset with.

Eleven out of the 77 submitters who answered this question felt offsetting should be available as an option for post-1989 forests under the carbon stock change approach as well. Those who answered 'no' mostly answered this way as they feel offsetting should be available for all post-1989 forests, not only those under averaging.

4.3 Recognising the Emissions Mitigation from Harvested Wood Products

Question 14.

Out of the three options presented regarding how to pass on the international harvested wood products accounting benefit to the NZ forestry sector what is your preferred option? Could you please explain why it is your preferred option? What do you think will be the main impacts of this option for you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to select their preferred Option from the three below;

Option 1 (Status Quo): Do not reflect the benefits of accounting for harvested wood products to the forestry sector.

Option 2: ETS participants using averaging accounting receive additional NZUs.

Option 3: Create an HWP "industry good" wood processing sector fund.

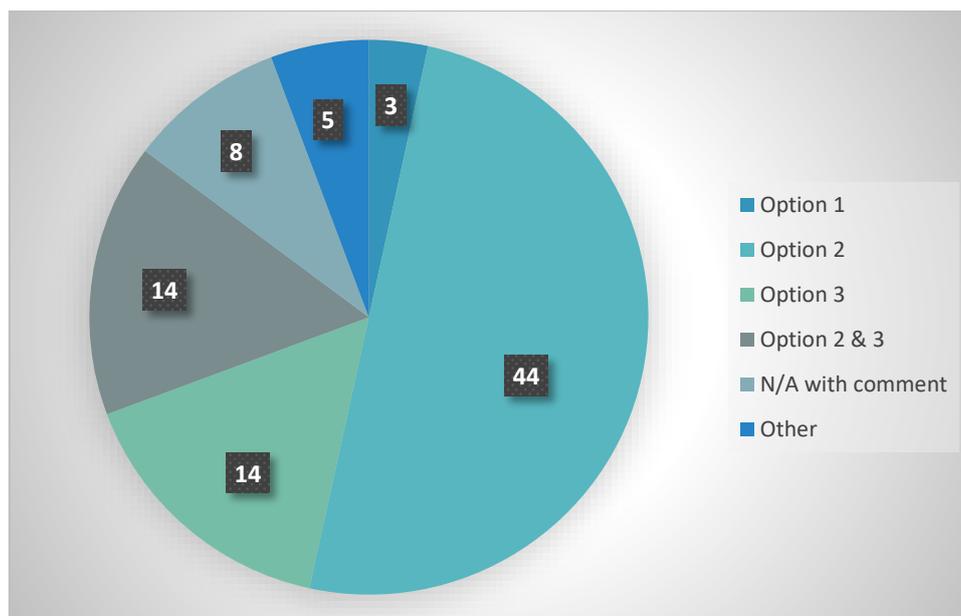


Figure 14- Out of the three options presented regarding how to pass on the international harvested wood products accounting benefit to the NZ forestry sector what is your preferred option?

Three out of 88 submitters supported option 1 of retaining the status quo and not providing the HWP carbon value to the forestry sector.

Forty four submitters supported option 2, signalling a preference to provide at least a portion of the benefit to foresters through additional NZUs. The main reasons submitters gave for supporting this option were they think it will increase afforestation, and be a fair/appropriate approach as foresters provide the sequestration of the carbon stored in the wood products.

Fourteen submitters preferred option 3, the creation of an 'industry good' fund which would provide the benefit to the processing sector. Most submitters who preferred this option did so as they consider it will increase carbon sequestration. They thought this would occur both through incentivising the creation of more long-lived wood products, as well as from increased afforestation (as processors would be able to pay foresters more for logs).

A number of submitters suggested possible variations on the options for the government to consider such as;

- splitting up the HWP value and devolving the benefit to both the forestry sector and the processing sector. Of this group, some submitters, including the FOA, also supported providing the HWP carbon value to ETS forestry participants using the carbon stock change accounting approach.
- The HWP value should be provided to forestry participants using averaging and the carbon stock change approach.
- alternative options to those presented in the discussion document. This included providing the HWP carbon value to processors through the ETS, pre-1990 forest owners, ETS participants who prune their forests, and consumers of longer-lived HWP.

4.4 Creating a Permanent Forests Category in the Emissions Trading Scheme

Question 15.

Do you agree with the Government's preferred approach to introduce a new activity into the ETS for permanent post-1989 forests? If you disagree could you please provide your reasons why? Could you also tell us how you expect this change will affect you or other land owners?

The Discussion Document outlined four options:

Option 1: Keep the PFSI as the primary mechanism for permanent forest to earn units (status quo).

Option 2: Retain and improve the PFSI.

Option 3: Discontinue the PFSI (leaving post-1989 forest as the only option to earn units)

Option 4 (preferred): Establish a new permanent post-1989 forest activity in the ETS and discontinue the PFSI.

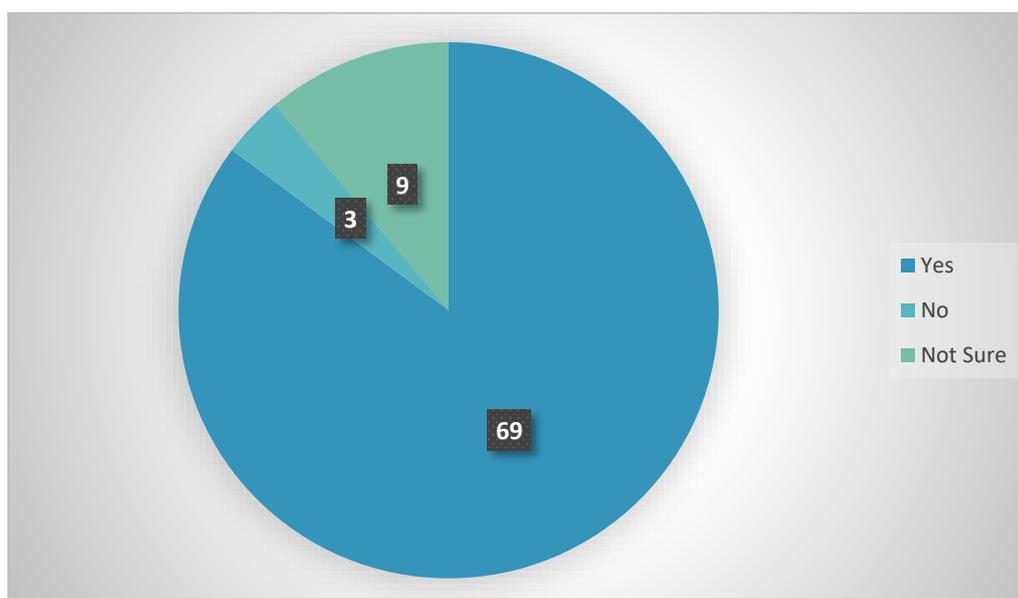


Figure 15 – Number of responses to the question 'Do you agree with the Government's preferred approach to introduce a new activity into the ETS for permanent post-1989 forests?'

There was overwhelming support for the Government's preferred approach with 69 out of 81 submitters agreeing to introduce a new activity into the ETS for permanent post-1989 forests. Only 3 submitters disagreed and 9 were unsure about the preferred approach.

Those submitters who supported the preferred approach were in favour because of less administrative complexity and costs from covenants, utilizing land not suitable to production

forests, increasing participation particularly Māori landowners and for the benefits to erosion-prone land.

Supportive submitters also highlighted that the definition of permanence needed more clarity and that the name “Permanent Forest” was misleading and that it should be changed to “Permanent Canopy Cover Forestry” or “Continuous cover forest”.

Submitters who were opposed to the preferred approach highlighted the commitment made by the Crown and participant when a covenant was signed and that a mandatory move into permanent post-1989 activity is unfair. Submitters who were unsure about the preferred approach wanted more clarity around distinguishing permanent forests and rotation forests.

Question 16.

Do you agree with the Government’s preferred approach to use the existing stock change accounting process for permanent forests? If you disagree could you please provide your reasons why? Could you also tell us how you expect this change will affect you or other land owners?

The Discussion Document outlined two options:

Option 1: Using averaging (as is proposed in the discussion document for rotational forestry in the ETS).

Option 2 (preferred): Using the current carbon stock change accounting process.

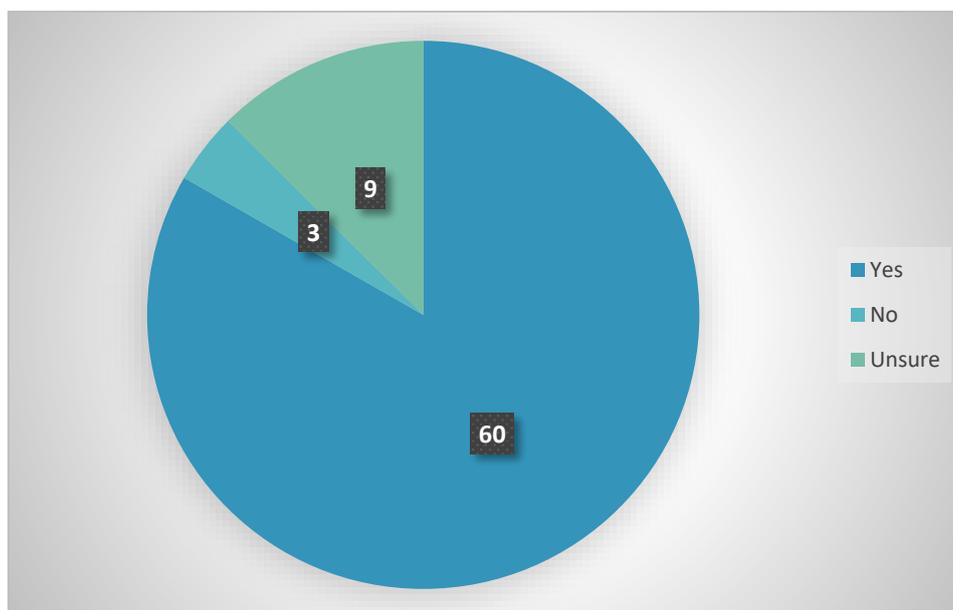


Figure 16 – Number of responses to the question ‘Do you agree with the Government’s preferred approach to use the existing stock change accounting process for permanent forests?’

The Government's approach to use the current stock exchange accounting process was supported by 60 out of 72 submitters indicating overwhelming support. Maximizing the long-term investments made by permanent forest participants is the major reason for agreeing to this. It was also highlighted that averaging inherently based on the rotation and harvest of forests, it would disincentive and penalise participants.

Agreeing participants did raise concern over the look-up tables and mention the need for updating and further research to give greater accuracy.

Only 3 submitters disagreed with the preferred approach with their reasons being:

- i) Choice of options. Some participants will choose the stock exchange approach as there will be limited harvesting and therefore limited repayment of liability whereas owners concerned about the level of the future price of carbon when carrying out some harvesting of longer rotation forests will choose averaging.
- ii) Development of long-term averaging approaches instead of using current indigenous look-up tables as they are inadequate and flawed.

Unsure participants did not provide any additional comments except for the need for more information on the implications of these options.

Question 17.

Do you agree with the Government's preferred approach that the majority of the operational processes and regulations should be shared between permanent post-1989 and post-1989 forests, with the key difference being the non-clear-fell harvest period? If you disagree could you please provide the reasons why? Could you also tell us how you expect this change will affect you or other land owners?

Respondents were invited to agree or disagree on the option below:

Option: Permanent post-1989 and post-1989 forests share major operational processes and regulations with the key difference being the non-clear-fell harvest period.

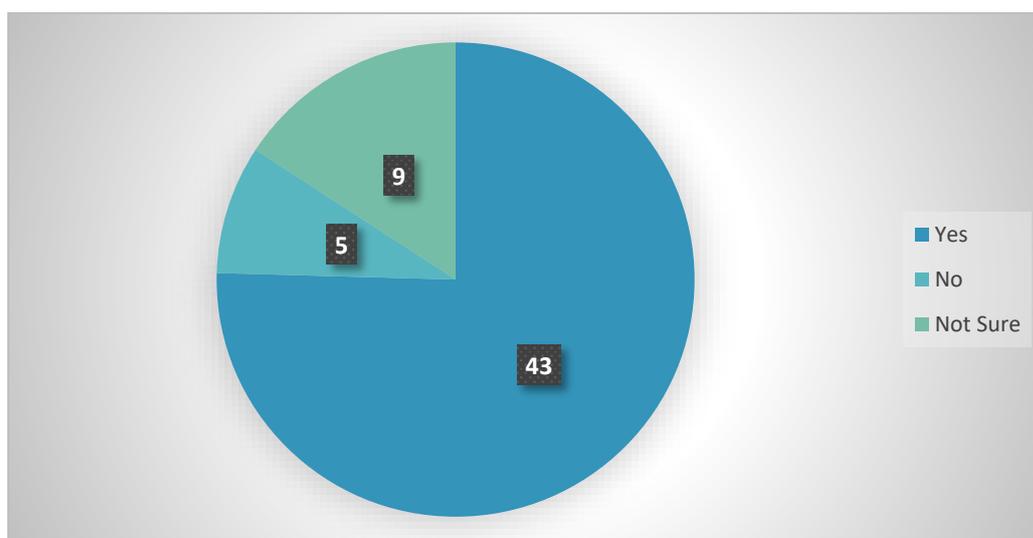


Figure 17 – Number of responses to the question 'Do you agree with the Government's preferred approach that the majority of the operational processes and regulations should be shared between permanent post-1989 and post-1989 forests, with the key difference being the non-clear-fell harvest period?'

shared between permanent post-1989 and post-1989 forests, with the key difference being the non-clear-fell harvesting period?’

The majority of submitters supported the government’s approach of ‘permanent post-1989’ and ‘post-1989’ forests sharing major operational processes and regulations, with 43 out of 57 saying “yes”. Participants favoured this option as it removed the current complexity of the Permanent Forest Sink Initiative, which would create more simplicity and would encourage further participation.

Some agreeing submitters also highlighted that under permanent forests, the FMA should only apply to significant changes such as adverse events or selective harvest as this eliminates the 5 yearly burden.

Only 5 submitters disagreed with the government’s preferred approach. Their reasons include:

- Permanent forests should be exempt from the costs within the CCRA as the purpose of permanent forests is for ecosystem services and these services are financially unrecognized.
- Separation between the two must be maintained as they are different forest product and have different carbon prices.

Most submitters who were unsure did not leave a reason why except one submitter who supported the transparency between permanent forests and rotational forests but wanted permanent forests to be distinguished in terms of 70% canopy cover and 100% canopy cover.

Question 18.

Do you agree with the restrictions proposed for permanent forests? If you disagree could you please provide the reasons why? Could you also tell us how you expect this change will affect you or other land owners?

Respondents were invited to agree or disagree on the restriction below:

Restriction: Forest owners who register their permanent post-1989 forest will be unable to clear-fell these forests for 50 years after the date of registration.

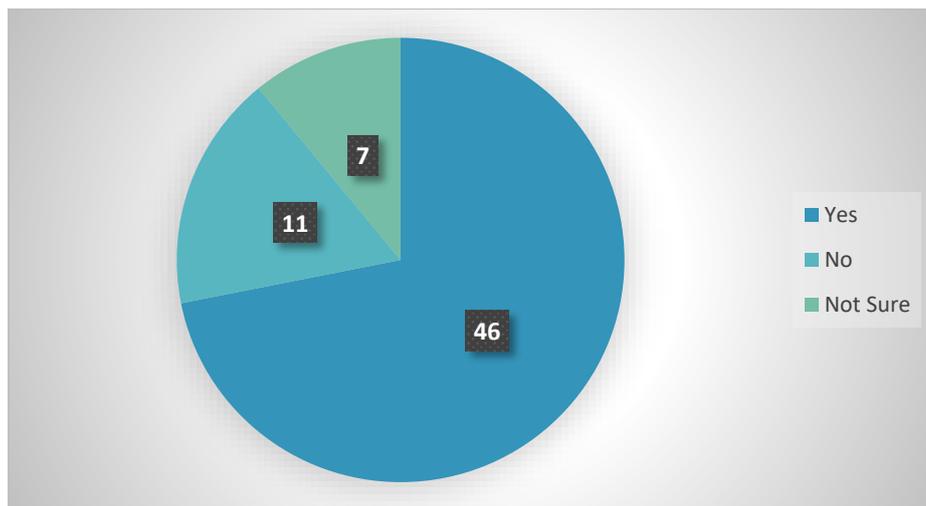


Figure 18. Number of responses to the question 'Do you agree with the restrictions proposed for permanent forests?'

A 50 year non-clear-fell period from the date of registration was supported by 46 out of 64 submitters. The flexibility, freedom and balance of the restriction was the driving factor behind their support.

Out of the 46 submitters, 11 disagreed with the restrictions proposed for permanent forests. A few submitters disagree with the length of the non-clear-fell period. Some argue that 50 years is too short and that it lessens the integrity of permanence while some say it is too long of a commitment for individuals to make.

Other disagreeing submitters emphasized that permanent forests should have tougher restrictions because maintaining 30% canopy cover is too low a threshold. Multiple submitters suggest a threshold of around 60% canopy cover be maintained.

Question 19.

Do you agree that 50 years is an appropriate non-harvest period for ETS registered permanent forests? If you disagree could you please provide the reasons why? Could you also tell us how you expect this change will affect you or other land owners?

Respondents were invited to agree or disagree on the option below:

Option (preferred): Align the 50 year timeframe of the permanent post-1989 forest to the 50 year time required under the PFSI.

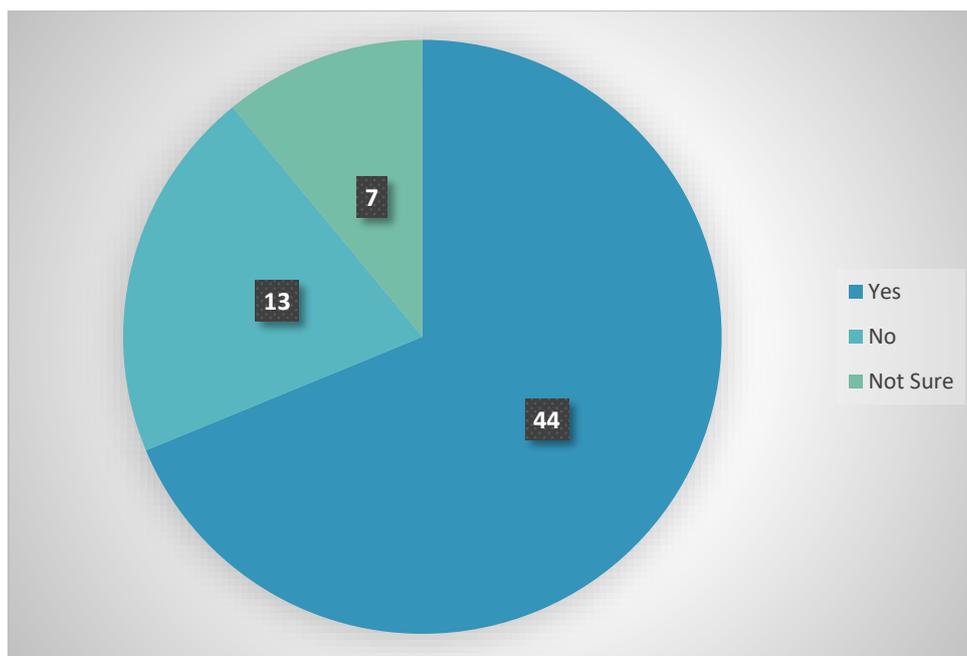


Figure 19. Number of responses to the question 'Do you agree that 50 years is an appropriate non-harvest period for ETS registered permanent forests?'

There was a majority of 44 out of 64 submitters who supported 50 years as a suitable non-harvest period for permanent forest registered in the ETS. The majority of agreeing submitters cited that a 50 year non-harvest period was appropriate but maintained that it must be well-regulated, strictly managed, have a long-term purpose and have clarity of what 'permanence' means.

13 out of 64 submitters opposed the idea of a 50 year non harvest period with most citing that to uphold the integrity of permanency, a 100year non-harvest period should be in place or at least be an option for participants.

Question 20.

Do you agree with the Government's preferred option of not offering a covenant for permanent forests registered in the ETS? If you disagree could you please provide the reasons why? If there are other options you think we should consider please list them.

The Discussion Document outlined two options:

Option 1 (preferred): Do not offer a covenant.

Option 2: Offer a voluntary minimal covenant.

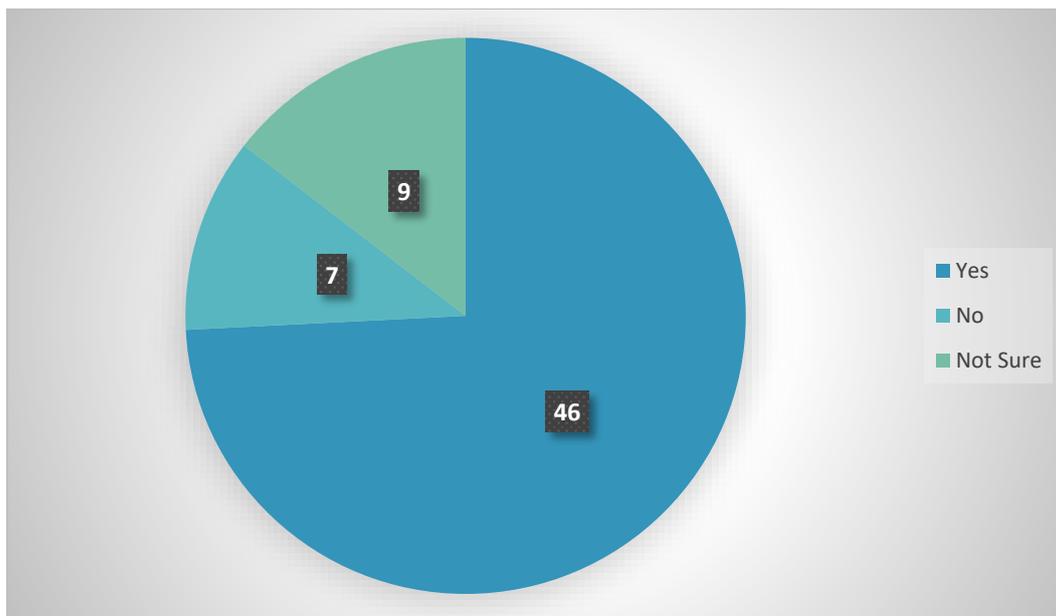


Figure 20. Number of responses to the question 'Do you agree with the Government's preferred option of not offering a covenant for permanent forests registered in the ETS?'

46 out of 62 submitters agreed with the Government's preferred approach of not offering a covenant citing an increase in simplicity for both participant and government, reduction of upfront costs, incentivizing participation by Māori land owners and that other covenants such as QEII and Whenua Rahui can be used to cover permanent forests.

Out of the 62 submitters, 7 disagreed with not offering a covenant while 9 were unsure. Most of these submitters highlighted that having offering a voluntary minimal covenant would provide longer term protection and ensure commitment to permanence is continued when ownership of land changes. It was also highlighted that having a covenanting mechanism was needed to reward those who establish forests primarily to sequester carbon and maintained true 'permanence'.

Question 21.

What assistance could the Government offer to make it easier for indigenous forest to be registered in a covenant from other organisations (e.g. sharing mapping information)?

The assistance of some sort of mapping information (e.g. GIS mapping and shapefiles) was the most common answer with over 10 submitters stating it in their response.

5 other submitters mentioned the need for active collaboration with organisations involved with covenanting such as QEII Trust and Banks Peninsula Conservation Trust to create covenants that account for certain ETS participants who have unique aspects e.g ETS compliance processes.

Other types of assistances that submitters brought up included the need for less regulations and more education, extra grants as stock will be excluded from the land when under a covenant and verification of history in PFSI.

Question 22.

Do you agree with the Government's preferred option that transfer for current PFSI participants to a permanent post-1989 forest activity in the ETS should be mandatory with a one-off option to exit? If you disagree could you please provide the reasons why? Could you also tell us how you expect this change will affect you or other land owners?

Respondents were invited to agree or disagree on the option below:

Option (preferred): Transfer is mandatory with the one-off option to leave the scheme.

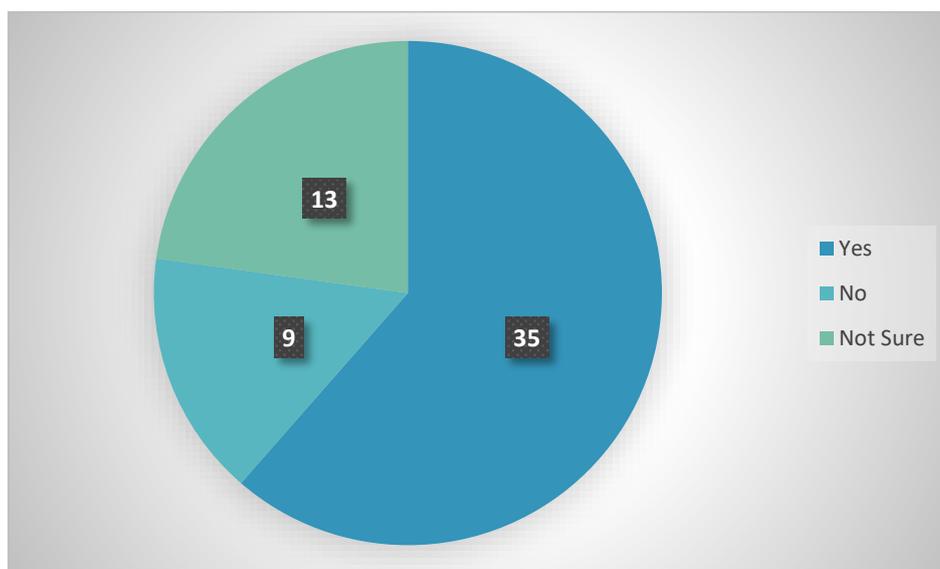


Figure 21. Number of responses to the question 'Do you agree with the Government's preferred option that transfer for current PFSI participants to a permanent post-1989 forest activity in the ETS should be mandatory with a one-off option to exit?'

Out of the 57 submitters, 35 agreed with the government's preferred approach of making transfer mandatory with the on-off option to leave the scheme, 9 disagreed and 13 were not sure. Agreeing submitters highlighted that the administrative cost and logistics of maintaining two systems is not justified and will simply increase complexity for both participants and the Government.

Disagreeing submitters cited the fact that when they signed up for the PFSI, they do so in good faith and that the government must stick to the agreement.

Question 23.

Do you agree with the Government's three choices for dealing with permanent forests registered in the ETS when the 50-year permanence clause ends? If you disagree could you please provide the reasons why? If there are other options you think we should consider please list them.

The Discussion Document outlined three options:

Option 1: Remain in the permanent post-1989 forest category: by signing up for another non-harvest period (e.g. 25 or 50 years), and continuing with the stock change accounting approach they have used to date.

Option 2: Switch to the post-1989 forest category: allowing them to harvest, but changing to an averaging accounting approach if this proposal is adopted. They would need to repay units for the difference between the current carbon stock for the forest and the average carbon stock for that forest type as a post-1989 forest.

Option 3: Exit (deregister from) the ETS (and either keep the forest or deforest) and repay all units received.

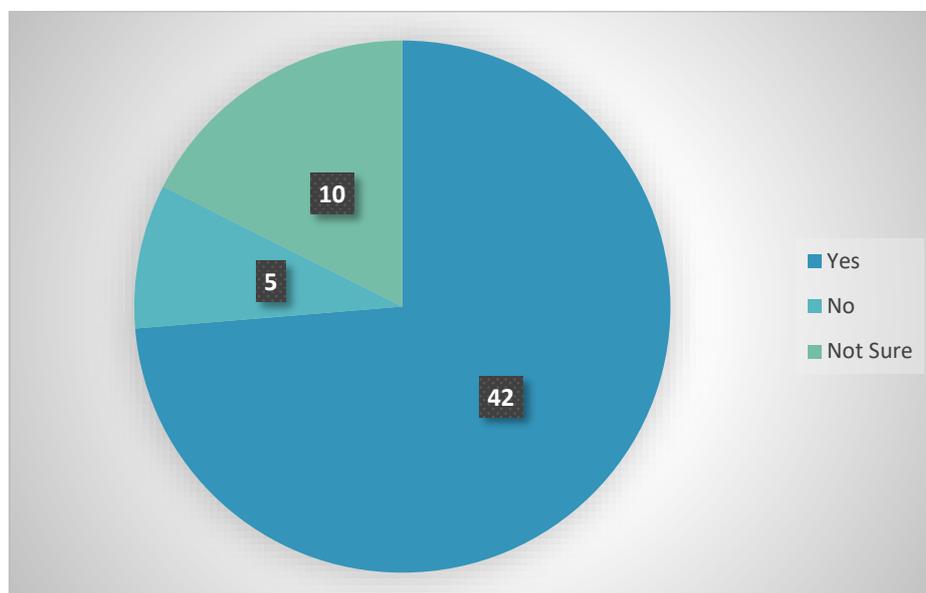


Figure 22. Number of responses to the question 'Do you agree with the Government's three choices for dealing with permanent forests registered in the ETS when the 50-year permanence clause ends?'

42 out of 57 submitters agreed with the Government's three choices for dealing with permanent forests when the proposed 50-year permanence clause ends. These options included being able to remain in permanent post-1989 forest category by signing up for another non-harvest period, switching to post-1989 forest category facilitating the ability to harvest or exiting (deregistering) from the ETS and repaying all units received.

Agreeing submitters emphasized that these options retain flexibility for land use and landowners, and will increase the incentives to participate. Only 5 out of 57 submitters disagreed with the three options citing that after 50 years, participants forests should automatically be extended in perpetuity.

Question 24.

Do you agree whether there should be an option to sign-up for another non-harvest period? If you do agree could you please state how long this should be and why.

Respondents were invited to agree or disagree on the option below:

Option: Ability to sign-up for another non-harvest period.

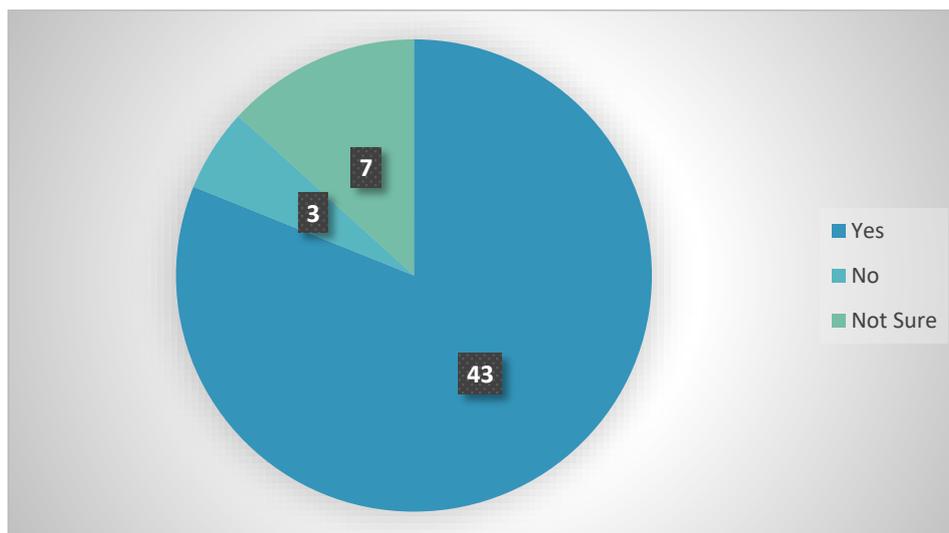


Figure 23. Number of responses to the question 'Do you agree whether there should be an option to sign-up for another non-harvest period?'

The majority of submitters (43 out of 53) agreed with the option of being able to sign up to another non-harvest period. Supportive submitters signalled that most forests will continue to sequester carbon past 50 years and wanted the option for a 25 year non-harvest.

Only 3 out of the 53 submitters disagreed with being able to sign-up for another non-harvest period. Their reasoning behind this stance was that a longer initial period should be in place or that after 50 years, participants should automatically continue in the scheme for perpetuity.

Unsure submitters (7 out of 53), did not comment on their reasoning for this decision.

Question 25.

Do you agree that a retrospective averaging approach is the best way to allow forests to be harvested after 50 years? If you disagree could you please provide the reasons why?

Respondents were invited to agree or disagree on the option below:

Option: A retrospective averaging approach is the best way to allow forests to be harvested after 50 years

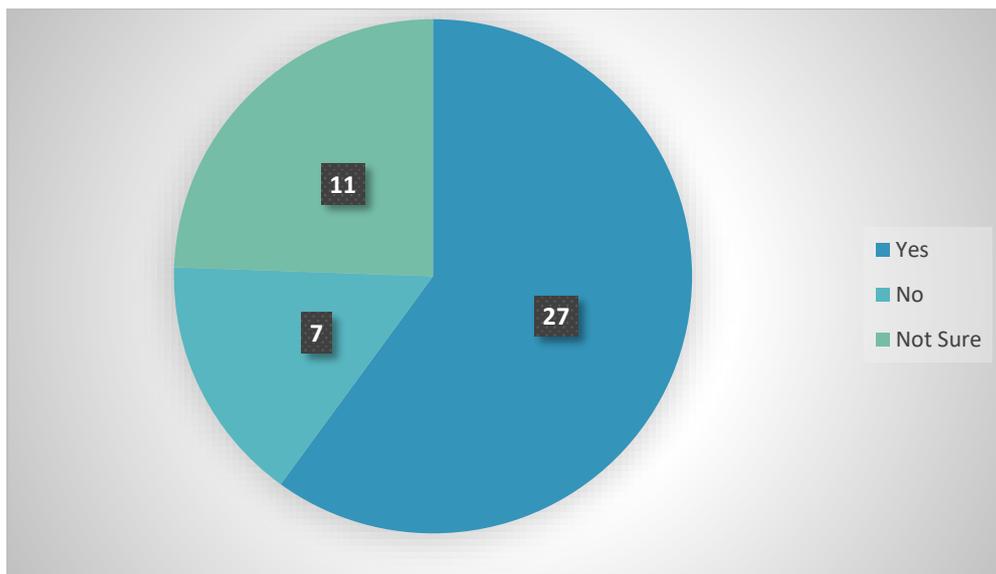


Figure 24. Number of responses to the question 'Do you agree that a retrospective averaging approach is the best way to allow forests to be harvested after 50 years?'

A retrospective averaging approach was supported by 27 out of 45 submitters. Supportive submitters highlighted that this averaging would enable ETS registrants an expectation of their future commitments.

7 submitters disagreed with a retrospective approach citing that a carbon stock accounting approach is fairer, precise, easier, simpler and less confusing for participants and permanent forests.

11 submitters were unsure about this question with a few not completely understanding the intention. Understanding the complexity of the question may have been a struggle for submitters with only 14 out of 45 providing additional reasoning behind their choice.

Question 26.

Out of the three options presented for participants to exit the ETS permanent forest category prior to the end of the 50-year non-harvest clause which do you prefer? Could you please explain below why it is your preferred option and how this will affect you or other land owners? If there are other options you think we should consider please list them.

Respondents were invited to select their preferred option below:

Option 1: Repayment of units along with a unit multiplier (or a specific fee per unit).

Option 2: Cancellation only under certain circumstances, defined in legislation, which could not have reasonably been foreseen at the time of registration.

Option 3: Two-step test applied by the Minister for Climate Change as defined in legislation (an alternative approach to option 2).

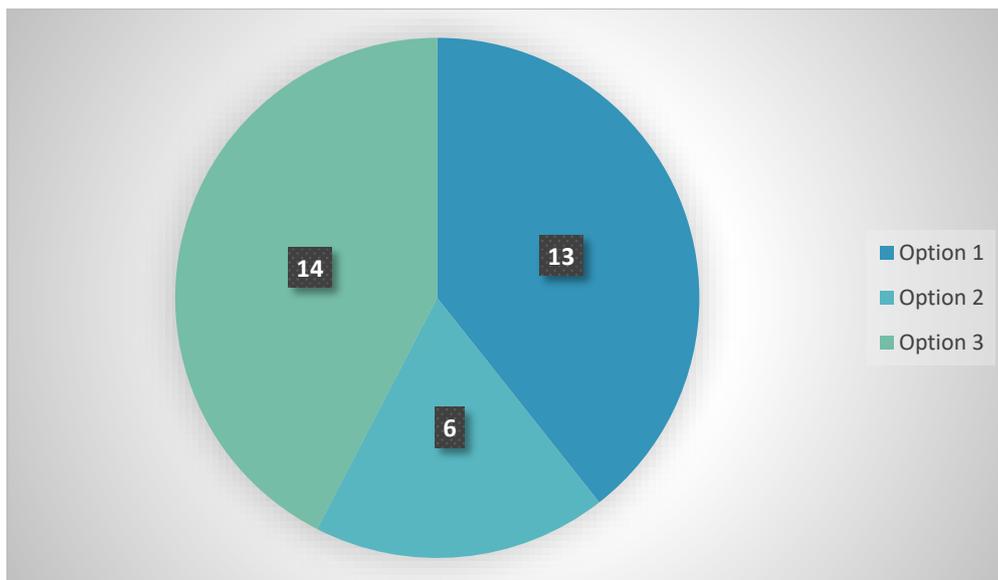


Figure 25. Number of responses to the question 'Out of the three options presented for participants to exit the ETS permanent forest category prior to the end of the 50-year non-harvest clause which do you prefer?'

Out of the 33 submissions received, the majority supported either option 3 with 14 submitters or option 1 with 13 submitters.

Submitters who supported option 3 cited that flexibility was needed due to the length of the contract, the integrity of the scheme was upheld and that it takes into consideration unforeseen circumstances. Option 1 submitters highlighted that exiting the ETS permanent forest category needs to be simple, consistent to calculate and have a degree of certainty.

Only 6 submitters supported option 2 but their reasoning is that it is more simple compared to option 3.

Question 27.

Do you agree with the Government's preferred option for participants who transfer to permanent forests to only earn units from the start of the MERP during which the move to permanent forest is made? If you disagree could you please provide the reasons why? If there are other options you think we should consider please list them.

Respondents were invited to agree or disagree on the option below:

Option (preferred): Participants who transfer are only able to gain units from the start of the Mandatory Emissions Return Period (MERP).

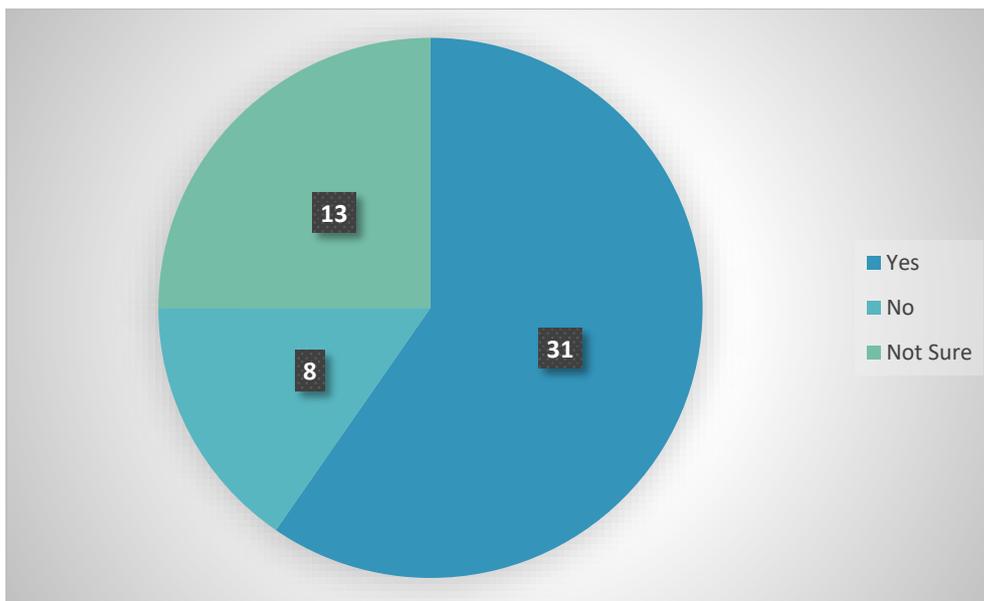


Figure 26. Number of responses to the question 'Do you agree with the Government's preferred option for participants who transfer to permanent forests to only earn units from the start of the MERP during which the move to permanent forest is made?'

There was vast support for the Government's preferred option with 31 out of 52 submitters agreeing for participants who transfer to permanent forests to only earn units from the start of the MERP. These submitters cited that this option will maintain consistency with the existing framework, encourage earlier commitment to permanence and retain fairness to previous owners of permanent forest.

13 submitters disagreed with Government's preferred option citing that earning units back to the date of forest establishment would include the actual carbon stored. This would provide further incentive to increase participation.

Question 28.

Do you agree with the Government's preferred option regarding transitioning rotation post-1989 forests in the ETS over to the permanent forest category once they are past the first rotation? If you disagree could you please provide the reasons why? If there are other options you think we should consider please list them.

The Discussion Document outlined two options:

Option 1 (preferred): Repay the units between the current carbon stock and the average.

Option 2: Don't earn units until the carbon stock reaches the average.

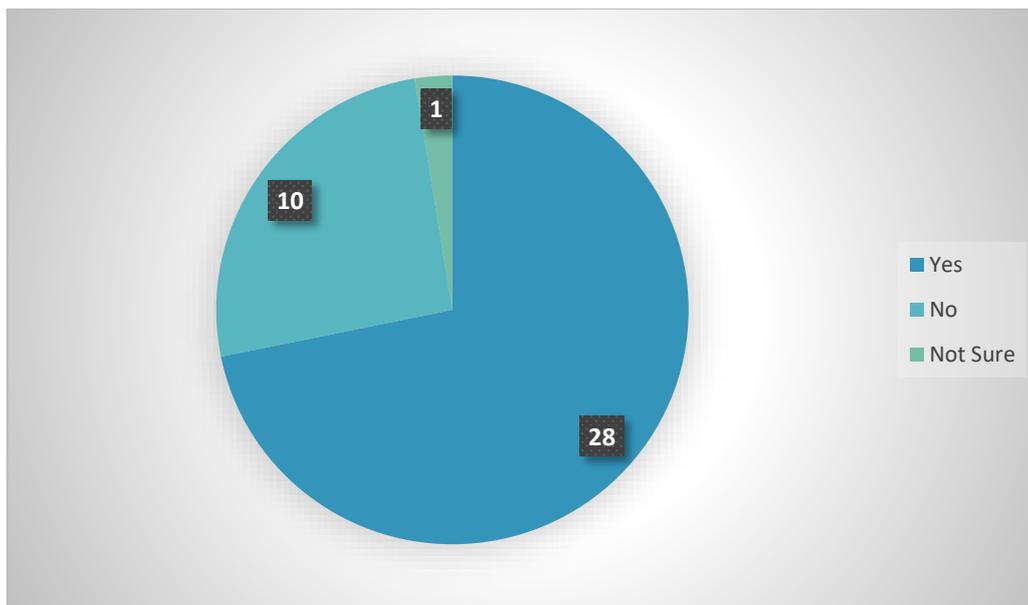


Figure 27. Number of responses to the question 'Do you agree with the Government's preferred option regarding transitioning rotation post-1989 forests in the ETS over to the permanent forest category once they are past the first rotation?'

Out of 40 submitters, 28 supported the Government's preferred option in regards to transitioning from rotation post-1989 forests to permanent post-1989 forest activity when past the first rotation. Reasons for support included the retention of flexibility of choice, ability to repay units due to no liabilities from harvest and participants potentially avoiding the cost of purchasing units by waiting to transfer to the permanent forest category once they are above the average.

Only 10 submitters disagreed with the Government's preferred approach, agreeing with option 2 of not earning units until the carbon stock reaches the average. These submitters cited that it is fairer to earn units from day one as the previous rotation liability has been paid and that forests should be accredited units from when they are planted and not registered. They also highlight that it is a huge disincentive to move to permanent forests if a participant has to repay units.

2 submitters which were "Not sure" or "assigned" did not give any reasoning for this decision.

Question 29.

Do you agree with the Government's preferred option that harvesting restrictions are applied from the date of transfer to permanent post-1989 forest? If you disagree could you please provide the reasons why? If there are other options you think we should consider please list them.

Respondents were invited to agree or disagree on the option below:

Option 1 (preferred): Harvesting restrictions are applied from the date of registration as a permanent post-1989 forest.

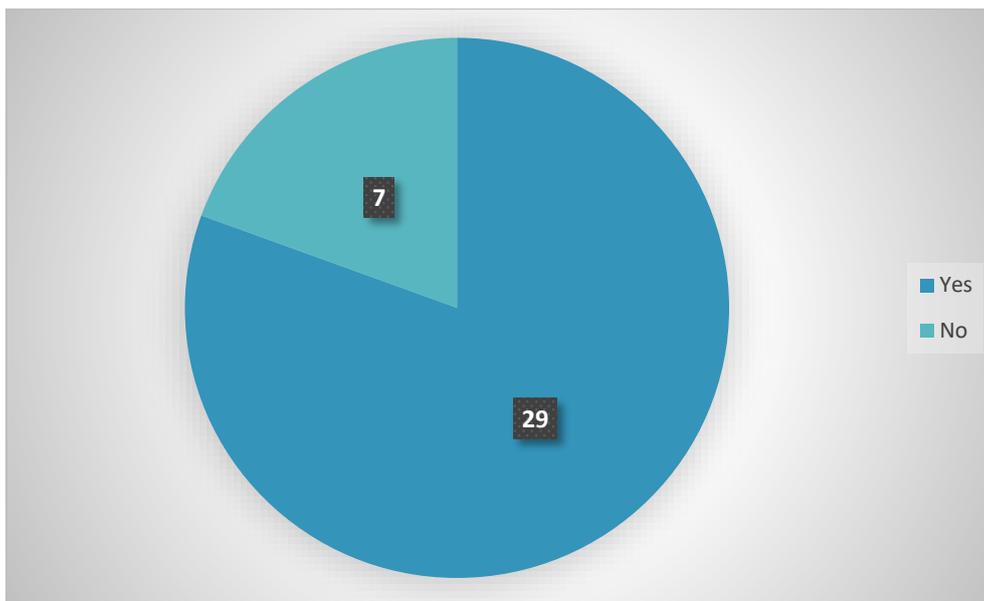


Figure 28. Number of responses to the question 'Do you agree with the Government's preferred option that harvesting restrictions are applied from the date of transfer to permanent post-1989 forest?'

Overwhelming support for the government's preferred option is seen with 29 out of 36 submitters agreeing that harvesting restrictions should be applied from the date of transfer to permanent post-1989 forest activity. These submitters cited that the government's preferred option demonstrates when a participant commits to permanence and protects the integrity of permanent post-1989 forests.

Only 7 submitters disagreed with the government's preferred option highlighting that harvesting restrictions should be based on the age of the forest i.e. all forests should be treated the same way when they reach the age of 50.

4.5 Significant Operational Changes to the Emissions Trading Scheme

Question 30.

Do you agree that publically available maps are the best way to provide more certainty on forest eligibility in the ETS? If you agree, could you please list how much information the map should contain (e.g. just land eligibility, unit balances etc.) If you disagree could you please provide reasons why?

Respondents were invited agree or disagree with the following statement:

Option: Publically available maps are the best way to provide more certainty on forest eligibility in the ETS.

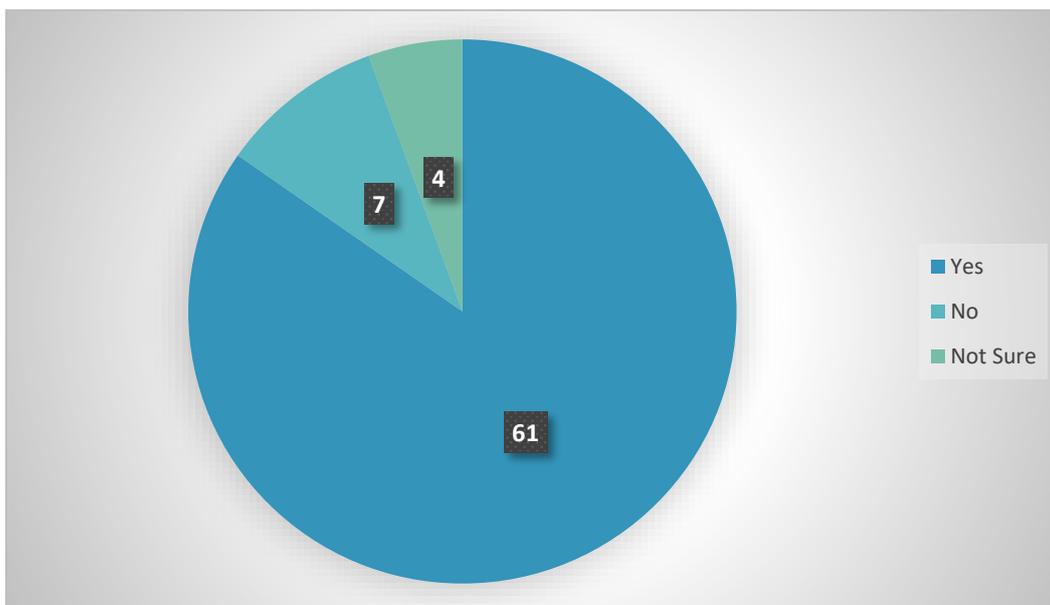


Figure 29 - Number of responses to the question 'Do you agree that publically available maps are the best way to provide more certainty on forest eligibility in the ETS?'

Out of 72 submitters, 61 agreed that publically available maps are the best way forward to provide more certainty on forest eligibility in the ETS. The simplification of the process and increase in certainty were the major reason for supporting publically available maps.

Agreeing submitters highlighted that land eligibility is a must within the maps along with the potential for distinguishing ETS classification (post-1989, pre-1989 and permanent post-1989). These submitters also cited that participants should have the ability to challenge the eligibility of the maps through other processes using new or additional information and expert advice.

7 submitters did not agree with publically available maps citing that the timeframe for introducing a map (4-5 years) will be too long with immediate action needed, other factors about the land such as seed source are necessary and that there is a lack of confidence in GIS analysis.

Question 31.

Would you be comfortable with your information on the above map being publicly available?

Respondents were invited to agree or disagree with the following statement:

Option: Would you be comfortable with your information on the above map being made publicly available?

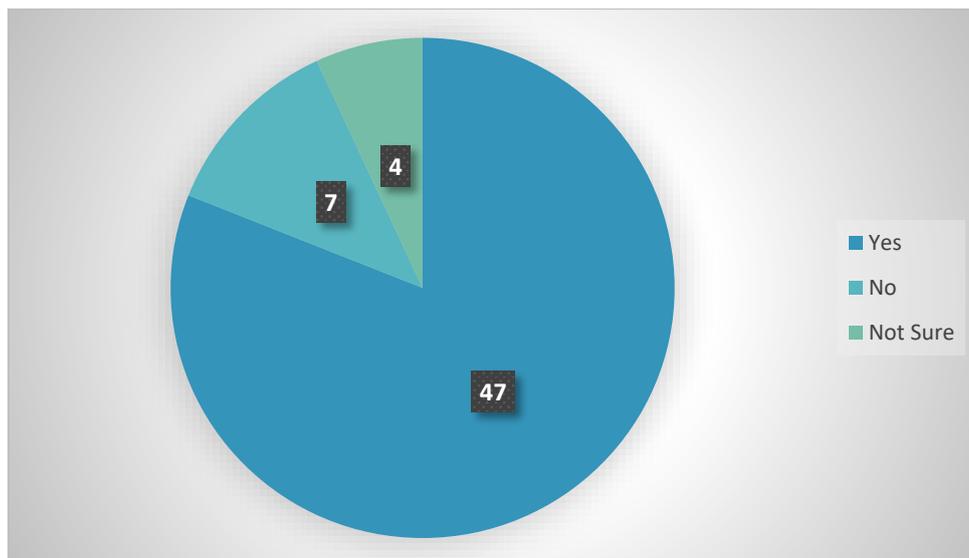


Figure 30 – Number of responses to the question ‘Would you be comfortable with your information on the above map being publicly available?’

47 out of 63 participants felt comfortable with their information being on a publicly available map to provide more certainty on forest eligibility in the ETS. Submitters who were comfortable highlighted the maps should only include information that pertains to eligibility and that any commercially sensitive information must not be included in the map.

Question 32.

How would you see the information in these maps interacting with other publicly available maps?

The majority of submitters essentially wanted the forest eligibility map to be simple, layered and have the ability to interact and be aligned with other maps and datasets e.g. maps from LINZ, LUCAS and LCDB. Enabling the ability to interact with other land-use maps will not only increase afforestation but also place the right tree in the right place.

Other submitters wanted environmental details to be included such as soil type, climate information, contamination and run-off. Submitters also cite that these maps must be consistent and linked to existing databases and approaches throughout the country. Multiple submitters felt that these maps should be publically available but on the basis that commercially sensitive information was not part of it.

Question 33.

Do you agree with the options for improving the deforestation offsetting process for pre-1990 forests? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

The discussion document outlined this package of options below:

- Extending the timeframe for all users of offsetting to up to four years after clearance or the application is approved.
- Creating the ability to redefine the areas the application applies to, while it is live.
- Allowing the ability to carry-over “unused” offset forest between sequential applications.
- Making it clear that only the deforestation not covered by the new forest requires that units be surrendered (moving away from the current “all or nothing” approach).
- Technical fixes to clarify land status and other drafting.

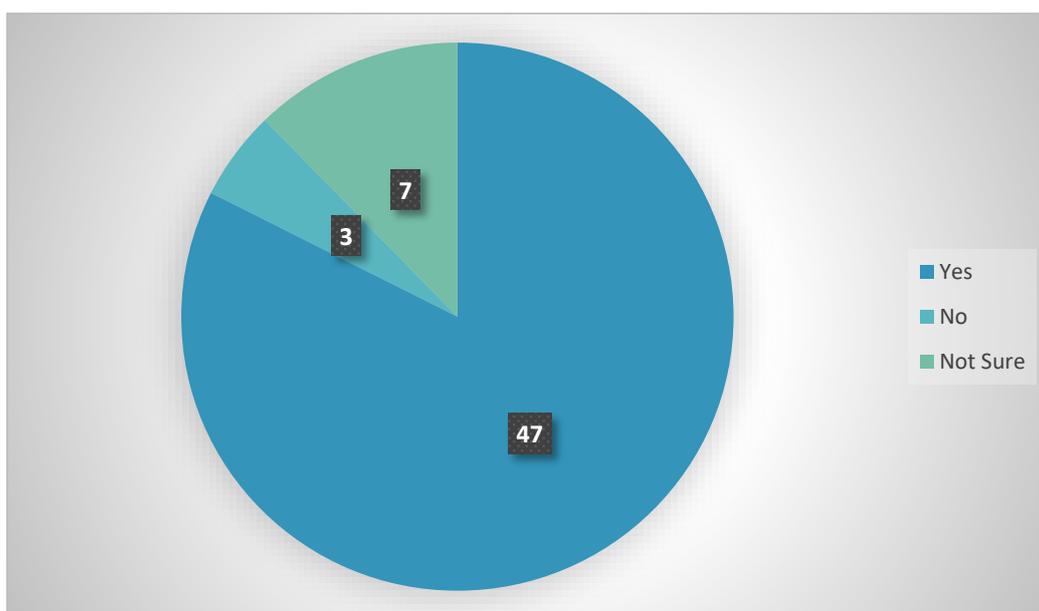


Figure 31 - Number of responses to the question ‘Do you agree with the options for improving the deforestation offsetting process for pre-1990 forests?’

Overwhelming support for improving the deforestation offsetting process for pre-1900 forests was seen with 47 out of 57 submitters agreeing. Only 3 submitters disagreed with the options and 7 indicated that they were “not sure”.

Facilitating optimal land use, removing complexity around compliance, enhancing attractiveness by increasing flexibility and improved consistency between pre-1990 and post-1990 were main reasons given for support.

Disagreeing or unsure submitters did not provide any explicit reasoning behind their decisions other than that offsetting should only be available to non-indigenous forests.

Question 34.

Have you considered using the current offsetting rules for pre-1990 forest? If so, did you face barriers to using offsetting and could you list them below?

Respondents were invited to agree or disagree with the following question:

Option: Have you considered using the current offsetting rules for pre-1990 forest? If so, did you face barriers to using offsetting and could you list them below?

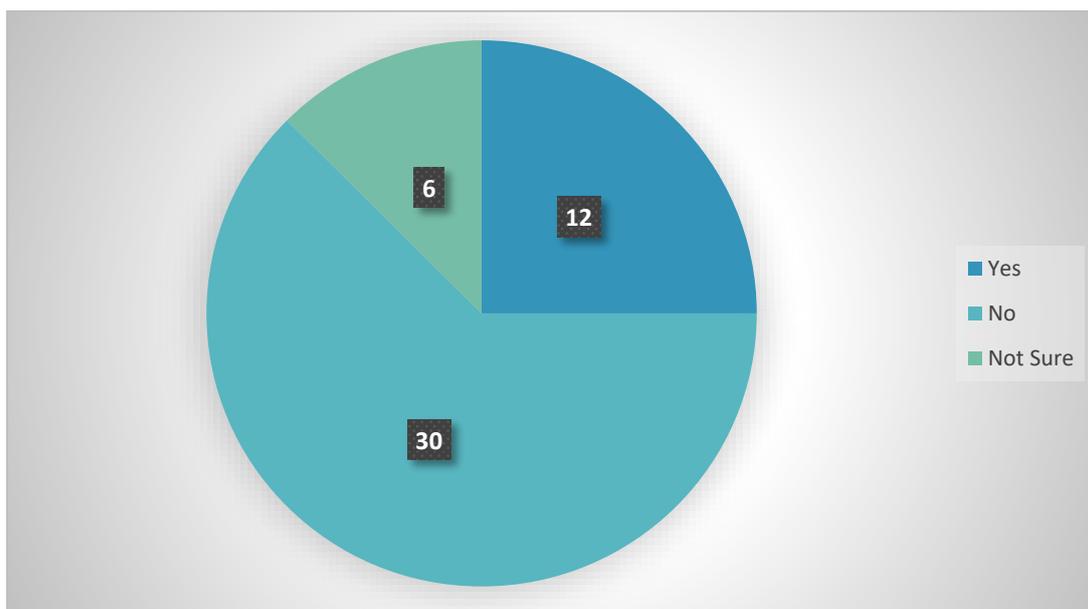


Figure 32 - Number of responses to the question 'Have you considered using the current offsetting rules for pre-1990 forest?'

30 out of 48 submitters had not considered using the current offsetting rules for pre-1990 forests with a few of those submitters highlighting that the process is too complicated and complex and that a more uniform approach with pre-1990 and post-1989 is needed.

The 12 submitters who did consider using the current offsetting rules for pre-1990 forest had a range of feedback on the barriers they faced. These barriers included:

- Legislation far too inflexible for practical application
- Restrictive in timing and options
- More simplicity is needed
- Negative feedback from other participants
- Rules did not work and that it was a compliance risk
- Problems in determining the offset plant boundaries.

Question 35.

Do you agree with the proposal to improve the tree weed deforestation exemption process? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited to agree or disagree with the following proposal:

Option 1: Improve the tree weed deforestation exemption process

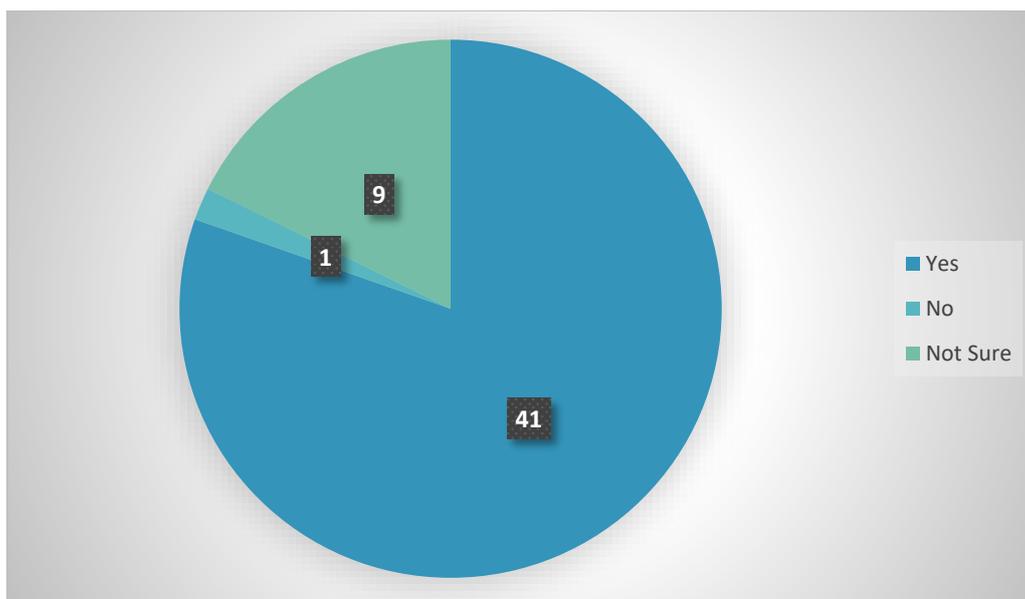


Figure 33 - Number of responses to the question 'Do you agree with the proposal to improve the tree weed deforestation exemption process?'

Out of 51 submitters, 41 agreed with the proposal to improve the tree weed deforestation exemption process. Only 1 submitter disagreed without reason while another 9 were unsure with their answer.

The majority of the supportive submitters cited that these improvements will increase flexibility, simplify the exemption process and facilitate good land stewardship.

Question 36.

Have you attempted to control tree weeds on your land and, if so, did you face any barriers? Could you please include below any suggestions for how the process could be made easier?

Respondents were invited to agree or disagree with the following statement:

Option 1: Have you attempted to control tree weeds on your land?

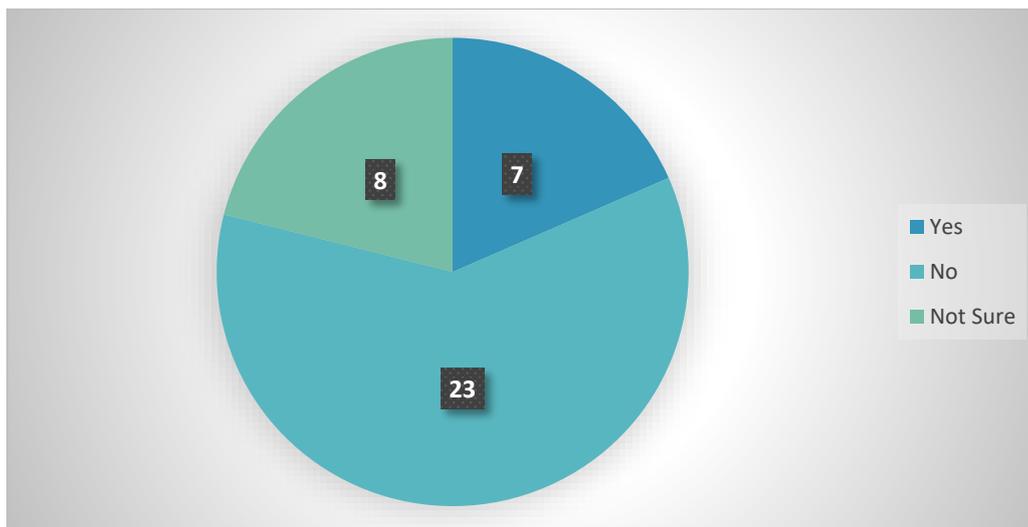


Figure 34 - Number of responses to the question 'Have you attempted to control tree weeds on your land?'

23 out of 39 submitters had not attempted to control the tree weeds on their land.

7 submitters did attempt to control tree weeds on their land and stressed that weeds are usually among other tree species creating difficulty in controls and that there needs to be an option to clear large areas of tree weeds whilst also being able to nurture non-tree weed species in their place.

Question 37.

Do you agree that a generic threshold for using exemptions for less than 50-hectare blocks of pre-1990 forest land should be 10 owners on 1 September 2007? If you disagree, could you please include below what number of owners you would set it at and why.

Respondents were invited to agree or disagree with the following statement:

Option 1: A generic threshold for using exemptions for less than 50-hectare blocks of pre-1990 forest land should be 10 owners on 1 September 2007.

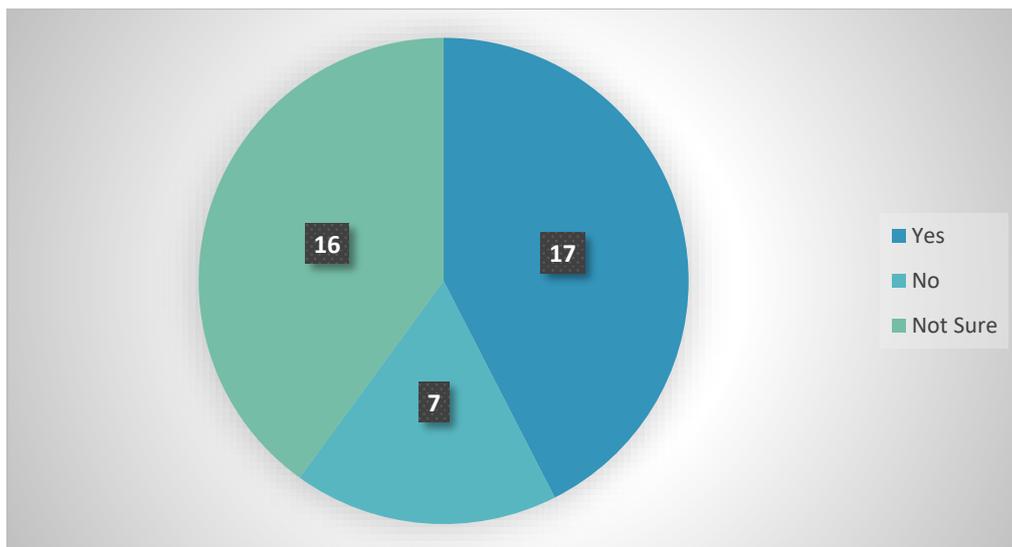


Figure 35 - Number of responses to the question 'Do you agree that a generic threshold for using exemptions for less than 50-hectare blocks of pre-1990 forest land should be 10 owners on 1 September 2007?'

17 out of 40 submitters agreed that a generic threshold for using exemptions for less than 50-hectare blocks of pre-1990 forest land should be 10 owners on 1 September 2007. They highlighted that this will increase fairness, be more practical and have a more sensible and pragmatic approach.

16 out of the 40 submitters were unsure about this generic threshold of 10 landowners. These submitters viewed that 50ha blocks were too large to be given exemptions from penalties and that 10ha were more suitable.

Only 7 submitters disagree with the generic threshold citing that 10 landowners were too many and that 5 landowners should capture all likely candidates who missed out on an exemption or that the threshold should be higher than 10, particularly for Māori landowners who have multiplied owned land.

Question 38.

Do you agree that any subsequently appointed trustee or agent should be able to apply for the above exemption (provided it has met the statutory requirements under Te Ture Whenua Māori Act 1993)? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited to agree or disagree with the following statement:

Option 1: Any subsequently appointed trustee or agent should be able to apply for the above exemption (provided it has met the statutory requirements under Te Ture Whenua Māori Act 1993).

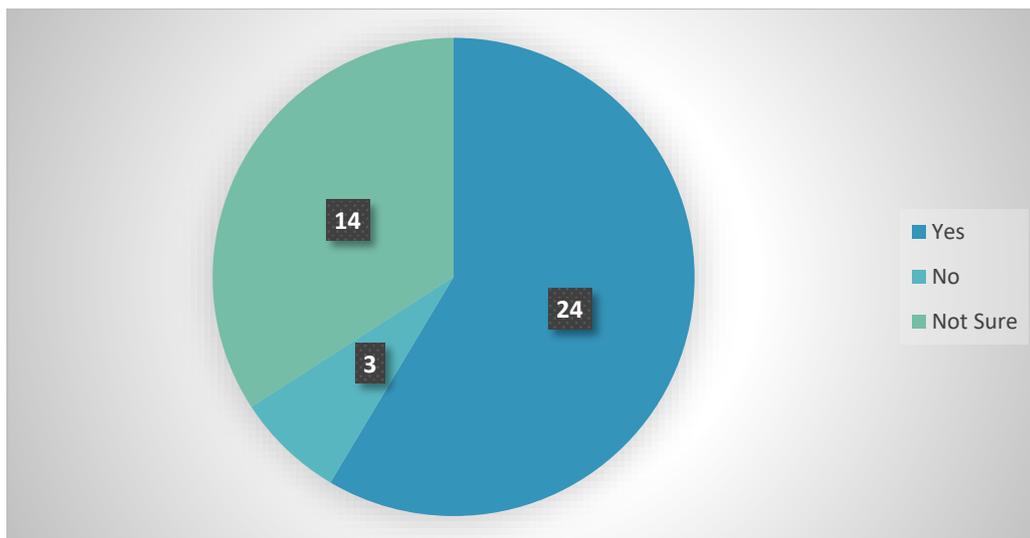


Figure 36 - Number of responses to the question 'Do you agree that any subsequently appointed trustee or agent should be able to apply for the above exemption (provided it has met the statutory requirements under Te Ture Whenua Māori Act 1993)?'

Out of 41 submitters, 24 agreed with the option that any later appointed trustee or agent has the ability to apply for the less than 50-hectare exemption (Question 37) provided it meets the statutory requirements under Te Ture Whenua Māori Act 1993.

Comments left by supportive submitters highlighted that most trustees of Māori land invariably are Trustees across multiple blocks of land.

Only 3 submitters disagreed with the option above and cited that there are currently (and continuous) negative views on the ETS from Māori land Councils and appointed leadership representatives.

Question 39.

Do you agree with the proposal for a simpler process for section 60 exemptions? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited to agree or disagree with the following proposal:

Option 1: Simplify the process for section 60 exemptions

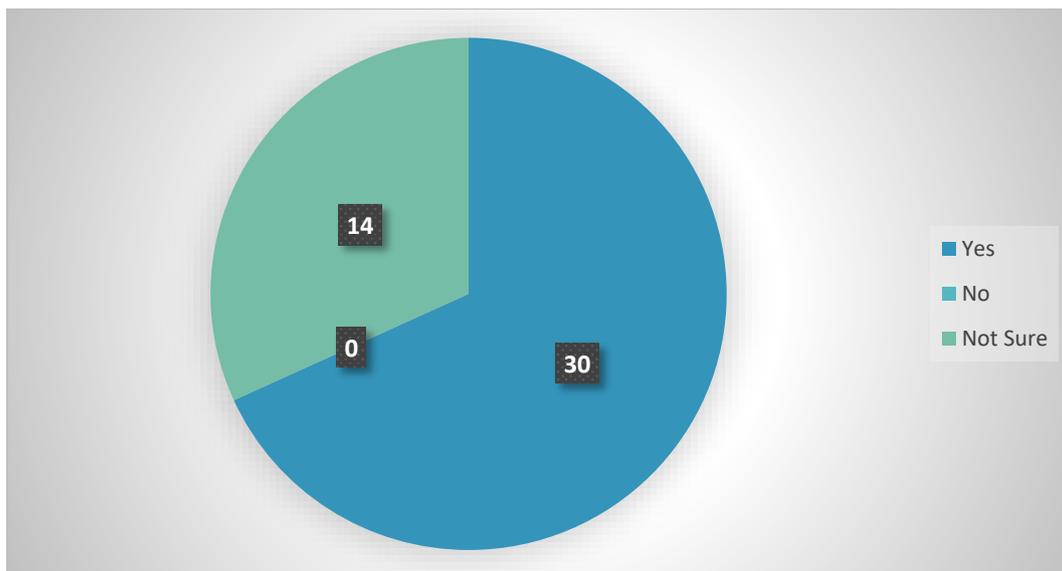


Figure 37 - Number of responses to the question 'Do you agree with the proposal for a simpler process for section 60 exemptions?'

Overwhelming support was seen for simplifying the process for section 60 exemptions with 30 out of 44 submitters agreeing to it. These submitters stated that simplifying and clarifying section 60 exemptions, and when they were applicable would be of benefit to participants. No submitters disagreed with the proposal but 14 were not sure. These submitters did not leave any clear reasoning for this decision.

4.6 Operational Changes to the Emissions Trading Scheme Influenced by Averaging

Question 40.

Do you agree that a mini-MERP is the best way to align participants' ETS obligations with New Zealand's international emissions targets? If you disagree could you please include what alternatives to a mini-MERP you would propose?

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree that a mini-MERP is the best way to align participants' ETS obligations with New Zealand's international emissions targets?

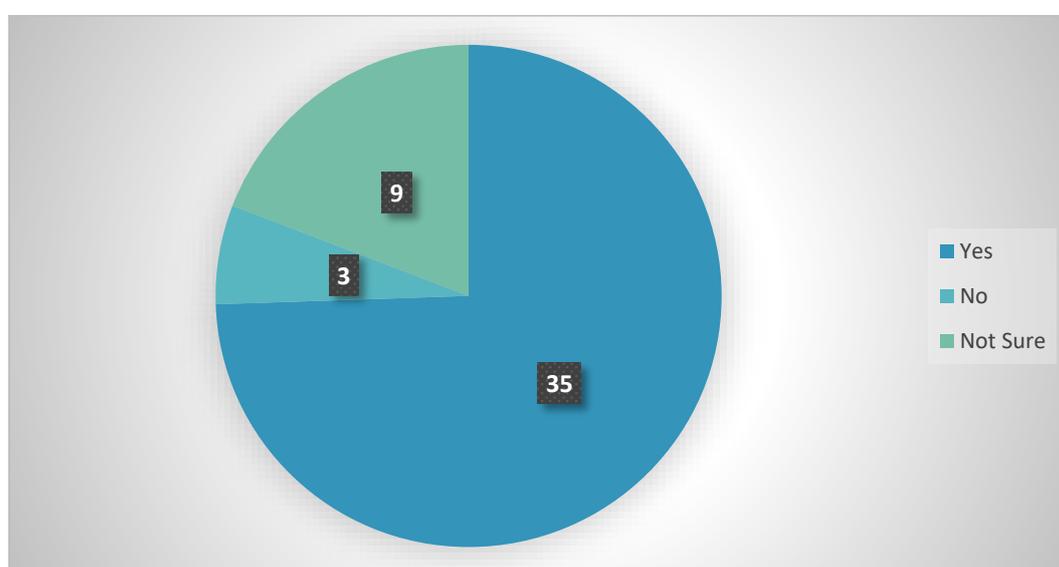


Figure 38 - Number of responses to the question 'Do you agree that a mini-MERP is the best way to align participants' ETS obligations with New Zealand's international emissions targets?'

The use of a mini-MERP was agreed to by 35 submitters, disagreed by 3 and left 9 unsure. The majority of submitters were supportive, stressing that alignment of participants' ETS obligations with international emissions targets was pivotal.

Contrasting views on the FMA were seen with some submitters only agreeing on the condition that it is only necessary to undertake a FMA every 5 years. Other submitters had the perspective that the skills to carry out the complex FMA process may be lost if it is delayed to post-2020.

The 3 submitters who disagreed did so on the assumption that this decision was driven by averaging.

Question 41.

Are you comfortable with the operational detail for post-1989 offsetting being largely the same as pre-1990 offsetting?

Respondents were invited agree or disagree with the following statement:

Option 1: Are you comfortable with the operational detail for post-1989 offsetting being largely the same as pre-1990 offsetting?

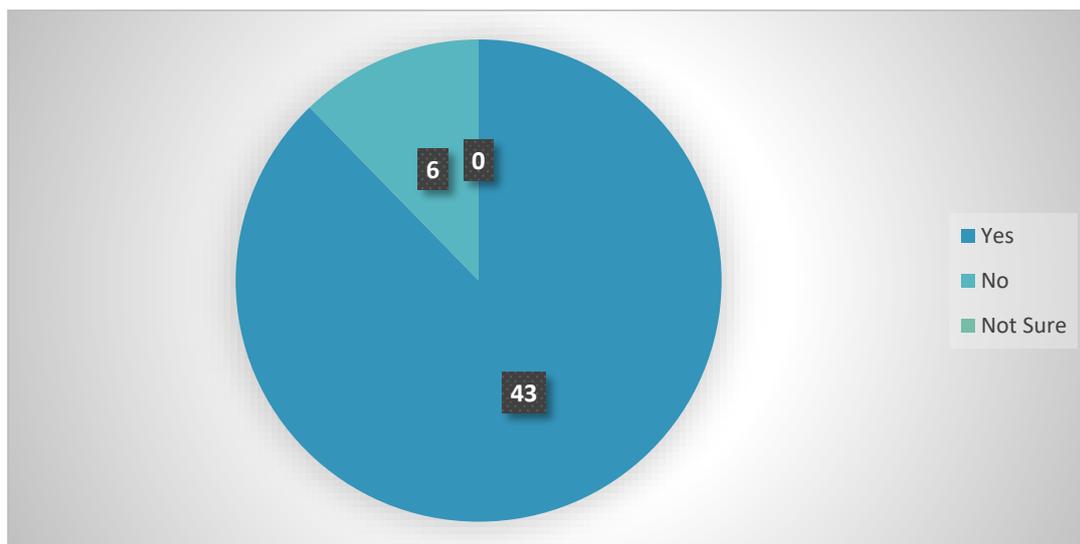


Figure 39 - Number of responses to the question 'Are you comfortable with the operational detail for post-1989 offsetting being largely the same as pre-1990 offsetting?'

Overwhelming support was seen with 43 out of 49 submitters feeling comfortable with extending the option of offsetting to post-1989 forests and aligning this with pre-1989 forests. This is viewed by supportive submitters as cost-effective, simple and retains maximum land-use flexibility while avoiding significant deforestation.

The 6 disagreeing submitters took the view that allowing post-1989 forests to offset would encourage deforestation (land-use change) resulting in environmental costs such as decrease in water quality, soil erosion and biodiversity loss.

Question 42.

Which yield table do you think should be used to define the carbon equivalence of the new forest?

The most common answer by submitters (mentioned 13 out of 31 times) supported the use of the most updated carbon look-up tables to define the carbon equivalence of the new forest. They viewed this as simple and consistent which will reduce costs to participants.

5 submitters also supported this but wanted the condition that if the forest area exceeds 100ha then the FMA yield tables should be used.

9 submitters struggled to understand or were unsure what this question was trying to ask and wanted more context and information about the different yield tables. 4 submitters also stated that they had no opinion on this question.

Question 43.

Should the land the new (offset) forest is planted on be differently recorded from pre-1990 forest offset land? If so, could you include below why. Could you also include below if you have any other input regarding this proposal.

Respondents were invited agree or disagree with the following statement:

Option 1: Should the land the new (offset) forest is planted on be differently recorded from pre-1990 forest offset land?

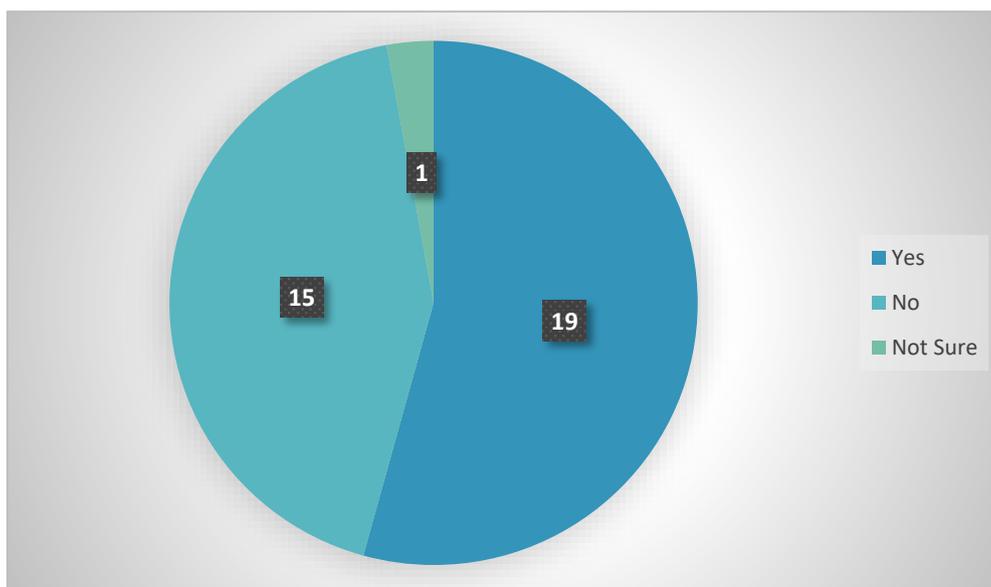


Figure 40 - Number of responses to the question 'Should the land the new (offset) forest is planted on be differently recorded from pre-1990 forest offset land?'

Out of 35 submitters who responded to whether the land that new (offset) forest is planted on should be differently recorded from pre-1990 forest offset land, 19 agreed, 15 disagreed and 1 was not sure. Agreeing submitters felt that this new (offset) forest should be recorded as 'post-1989 offset forest land'. They cited that this point of difference is needed as different deforestation liabilities (pre-1990 vs. post-1989) will apply and participants may be able to take advantage of the system. There will be more incentive if it is classified as a new forest.

Disagreeing submitters cited that the creation of more land classes would create confusion. Instead all new (offset) forest should be classified as "offset land".

Question 44.

Do you agree with extending section 60 exemptions to post-1989 forest land? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

- Do you agree with extending section 60 exemptions to post-1989 forest land?

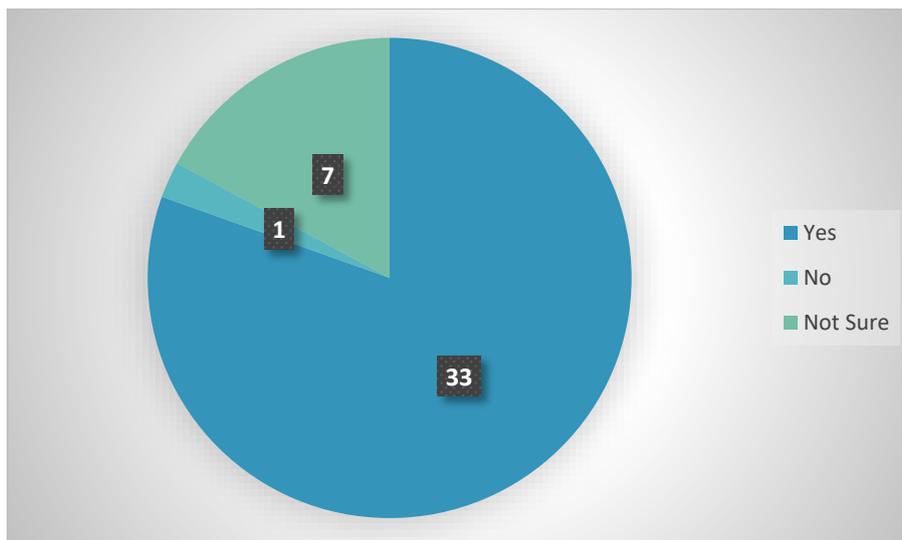


Figure 41 - Number of responses to the question 'Do you agree with extending section 60 exemptions to post-1989 forest land?'

Overwhelming support was seen for the above option as 33 out of 41 submitters agreed with the extension of section 60 exemptions to post-1989 forest land. Increases in flexibility, consistency and alignment were major reasons for support.

Only 1 submitter disagreed with this extension while 7 were unsure. No comments were left by either to justify their answer.

Question 45.

Do you agree with the proposed change to extend the cost recovery framework? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposed change to extend the cost recovery framework?

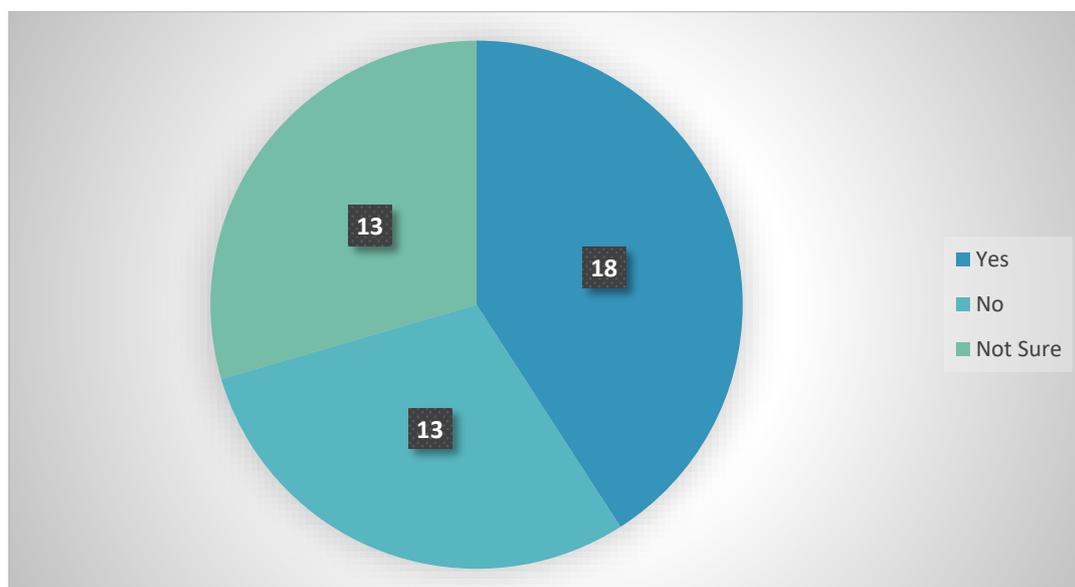


Figure 42 - Number of responses to the question 'Do you agree with the proposed change to extend the cost recovery framework?'

Out of the 44 submitters, 18 agreed, 13 disagreed and 13 were unsure about extending the cost recovery framework. Agreeing submitters cited that this is fair and proportionate, on the basis that the Government could adequately resource the service as processing is currently too slow.

The 13 disagreeing submitters felt that the ETS was already expensive and that this change will disincentive participants and decrease ETS uptake.

The 13 submitters who were not sure felt that cost recovery should be kept to a minimum but more information was needed on how it would work and the extent of the cost recovery.

4.7 Minor and Technical Changes to the Emissions Trading Scheme

Question 46.

Do you agree with the proposal to treat executors of wills as if they were the registered participants? If you disagree could you please provide the reasons why? If there are other options you think we should consider please list them.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposal to treat executors of wills as if they were registered participants?

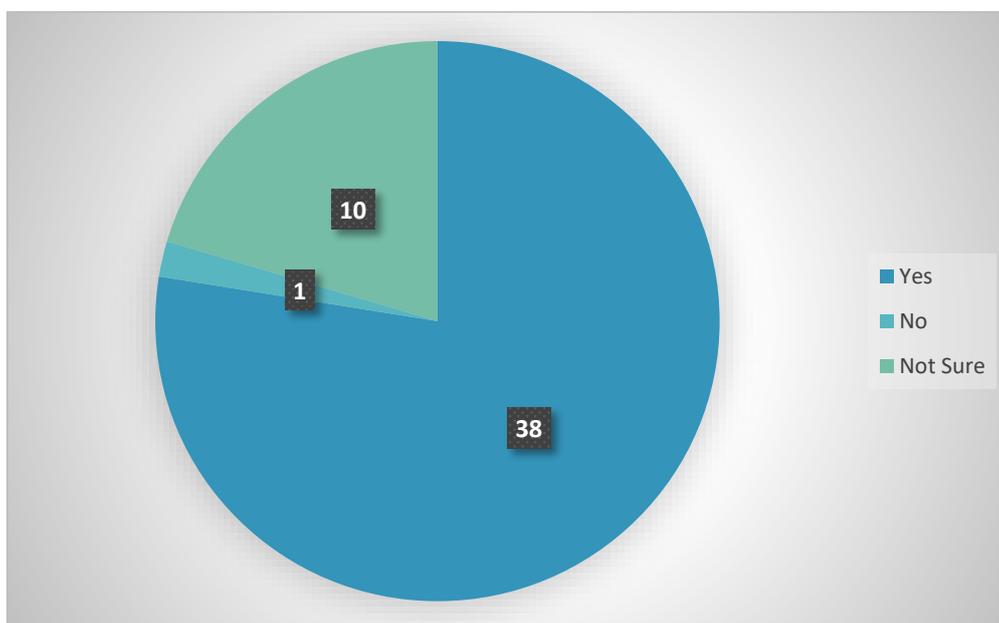


Figure 43 - Number of responses to the question 'Do you agree with the proposal to treat executors of wills as if they were the registered participants?'

There was overwhelming support with 38 out of 49 submitters agreeing to the proposal to treat executors of wills as if they were registered participants. Simplifying the process was a major factor mentioned by agreeing submitters. Improving overall scheme performance and reducing unnecessary time and costs were also cited as reasons for support.

Only 1 submitter disagreed without comment but 10 submitters were 'not sure' citing that the EPA must maintain its existing role to prevent instances of misinterpretation and dispute from incorrect advice and information.

Question 47.

Do you agree with the proposed change for the notification of interested parties? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposed change for the notification of interested parties?

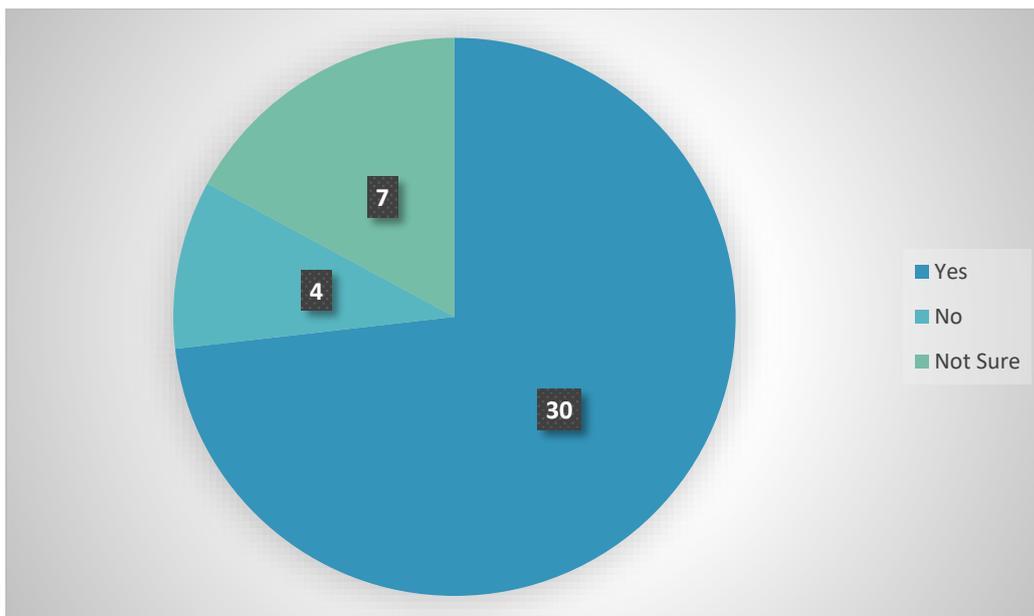


Figure 44 – Number of responses to the question ‘Do you agree with the proposed change for the notification of interested parties?’

31 out of 40 submitters agreed with the proposed change for the notification of interested parties. These submitters cited that this would assist in communication, provide more clarity and simplify the process by reducing unnecessary time and costs.

7 submitters were unsure about this proposed change and felt that if responsibility was moved to the participant there is increased probability that the notification may not even occur. They believe that safeguards will need to be introduced to make sure interested parties are notified.

Only 4 submitters disagreed with the proposed change and felt that interested parties needed notification from MPI for verification and evidence of the change in the ETS.

Question 48.

Do you agree with the proposal to allow reconfiguration of carbon accounting areas (CAAs) without participant cost? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposal to allow reconfiguration of carbon accounting areas (CAAs) without participant cost?

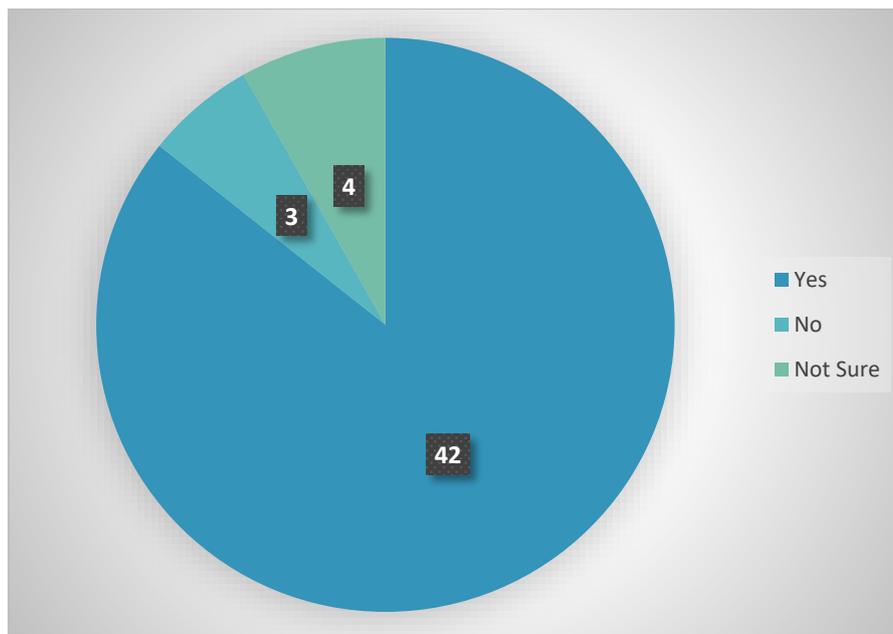


Figure 45 – Number of responses to the question ‘Do you agree with the proposal to allow reconfiguration of carbon accounting areas (CAAs) without participant cost?’

Out of the 49 submitters, overwhelming support was seen with 42 in agreement with the proposal of allowing reconfiguration of carbon accounting areas (CAAs) without participant cost. These submitters cited that this would make things relatively straight-forward and simple.

4 submitters felt unsure and 3 disagreed with the proposal. These submitters left no comments on their reasons why.

Question 49.

Do you agree with the proposed change regarding timing of deforestation? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposed change regarding timing of deforestation?

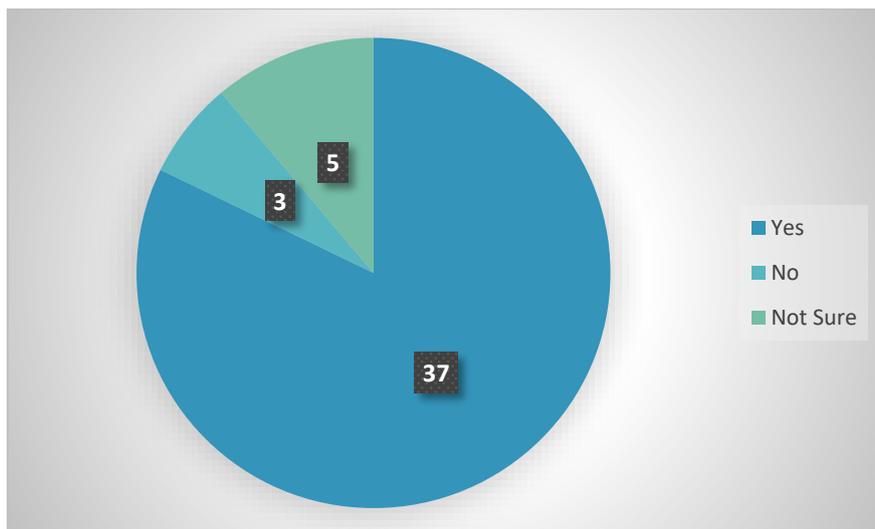


Figure 46 – Number of responses to the question ‘Do you agree with the proposed change regarding timing of deforestation?’

37 out of 45 indicating “yes” to the proposed change regarding time of deforestation. The main condition to agreement was that this proposed change should bring increased simplicity to the ETS.

5 submitters felt unsure about this proposed changes. No comments were left by them. Only 3 submitters disagreed with the proposed change in regards to the timing of deforestation suggesting that further legal advice be sought after.

Question 50.

Do you agree with the proposal to ensure all emissions or removals from all trees in a CAA are included in an emissions return? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposal to ensure all emissions or removals from all trees in a CAA are included in an emissions return?

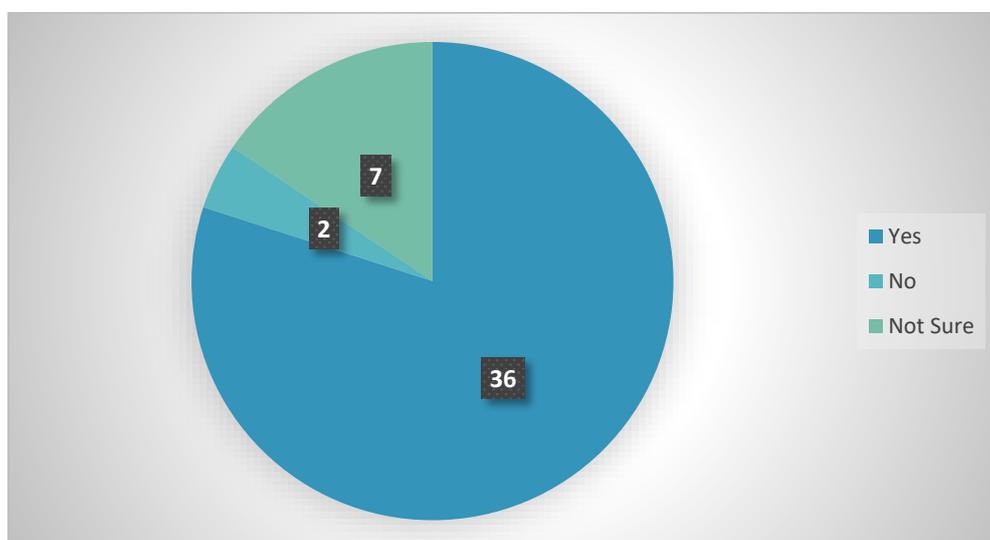


Figure 47 – Number of responses to the question ‘Do you agree with the proposal to ensure all emissions or removals from all trees in a CAA are included in an emissions return?’

There was a majority of 36 out of 45 submitters which supported the proposal to ensure emissions or removals from all trees is included, not just an assessment based on the age of the youngest trees. These submitters cited that these would improve administration and avoid unintended outcomes.

The 7 unsure submitters felt that more information was needed to make a decision. Only 2 submitters disagreed with the proposal and felt that only the trees measured in the first place should be included in the emissions return.

Question 51.

Do you agree with the proposal to change emissions returns for natural disturbance events that permanently prevent forest re-establishment? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposal to change emissions returns for natural disturbance events that permanently prevent forest re-establishment?

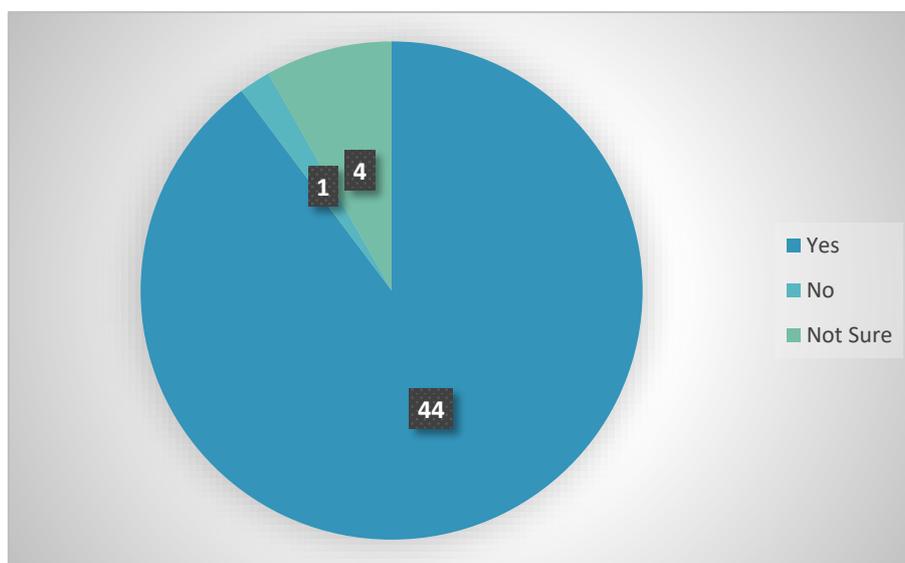


Figure 48 – Number of responses to the question ‘Do you agree with the proposal to change emissions returns for natural disturbance events that permanently prevent forest re-establishment?’

The proposal to change emissions returns for natural disturbance events that permanently prevent forest re-establishment was met with overwhelming support with 44 out of 49 submitters agreeing to it. Simplifying the scheme and avoiding unnecessary administration are the main reasons for this support. Only 4 submitters were unsure and 1 disagreed with the proposal.

Question 52.

Do you agree with the proposed change to remove unnecessary emissions return requirements? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposed change to remove unnecessary emissions return requirements?

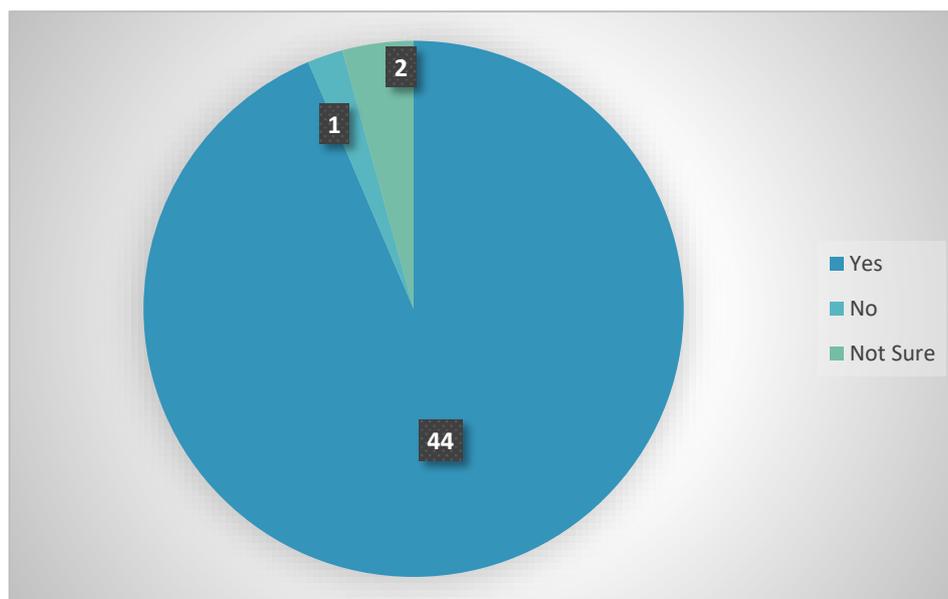


Figure 49 – Number of responses to the question ‘Do you agree with the proposed change to remove unnecessary emissions return requirements?’

The majority of submitters (44 out of 47) agreed with the proposal to remove unnecessary emissions return requirements as it would reduce unnecessary administration.

2 submitters were unsure about this proposal while only 1 submitter disagreed with it. No reasoning was left by any of these submitters.

Question 53.

Which of the two proposed options to exclude post-1989 forest land with tree weeds do you prefer? Could you please provide your reasons why below.

Respondents were invited to select their preferred Option from the two below:

Option 1: Amend the relevant section to exclude from the ETS all tree weed land registered after 2012.

Option 2: Amend the relevant section to exclude from the ETS all future registrations of tree weed land, or areas which become tree weeds, regardless of who applies to register

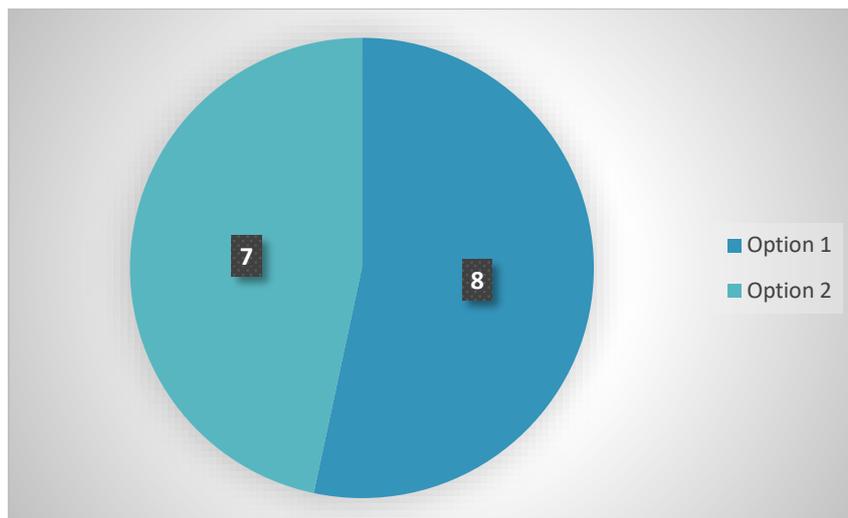


Figure 50 – Number of responses to the question ‘Which of the two proposed options to exclude post-1989 forest land with tree weeds do you prefer?’

Out of only 15 submitters, 8 were in favour of option 1, which excludes from the ETS all tree weed land registered after 2012. No reasons were provided except that this would ensure that the ETS has no perverse environmental outcomes.

The remaining 7 submitters’ favoured option 2, which excludes from the ETS all future registrations of tree weed land. These supporters felt that supporting option 1 would create a risky precedent as land that was legally registered in the ETS after 2012 would be removed on a retrospective basis.

Question 54.

Do you currently have any tree weeds registered?

Respondents were invited to provide the following information:

Option: Yes, I have tree weeds registered

Option: No, I do not have tree weeds registered

Option: Not sure if I have tree weeds registered

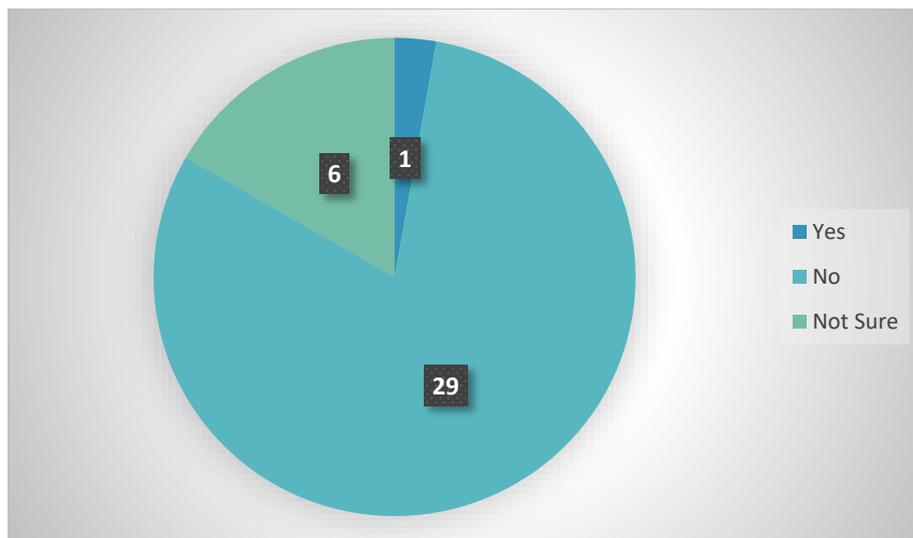


Figure 51 – Number of responses to the question ‘Do you currently have any tree weeds registered?’

The majority of submitters, 29 out of 36, did not have any tree weeds registered, 6 were ‘not sure’ if they did and 1 submitter has tree weeds registered. No major comments were left.

Question 55.

Do you agree with the proposal to allow the EPA to review its decisions? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposal to allow the EPA to review its decisions?

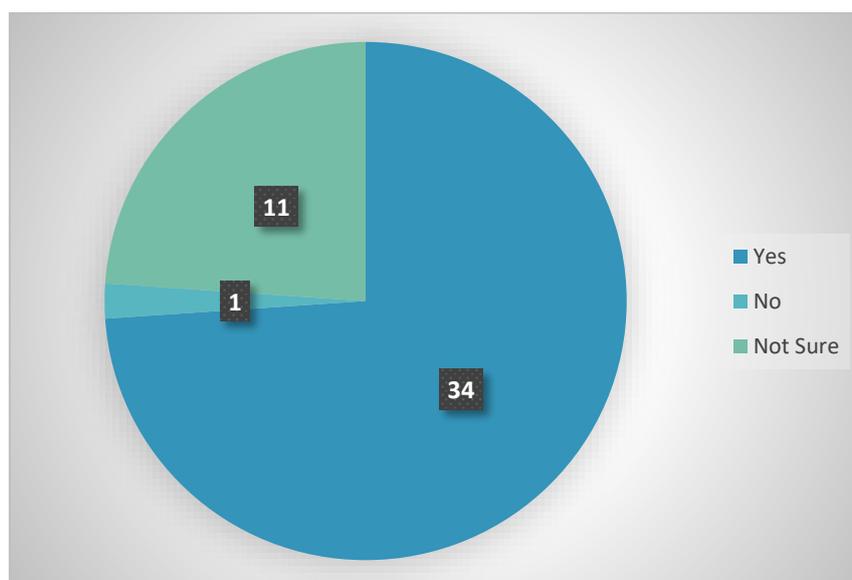


Figure 52 – Number of responses to the question ‘Do you agree with the proposal to allow the EPA to review its decisions?’

Out of 46 submitters, 34 agreed with the proposal to allow the EPA to review its decisions citing that this would create a less complicated and costly approach to correcting erroneous decisions. These submitters agreed on the condition that the affected participant be consulted on and that a decision change only be undertaken within a one year time period.

11 submitters felt unsure about this proposal with one highlighting that the review only be possible if the appeal is lodged by another party (participant) and not the EPA. If the EPA was to review its own decisions, it would create uncertainty and undermine the integrity of the ETS.

Question 56.

Do you agree with the proposed change for deregistration of forestry participants? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposed change for deregistration of forestry participants?

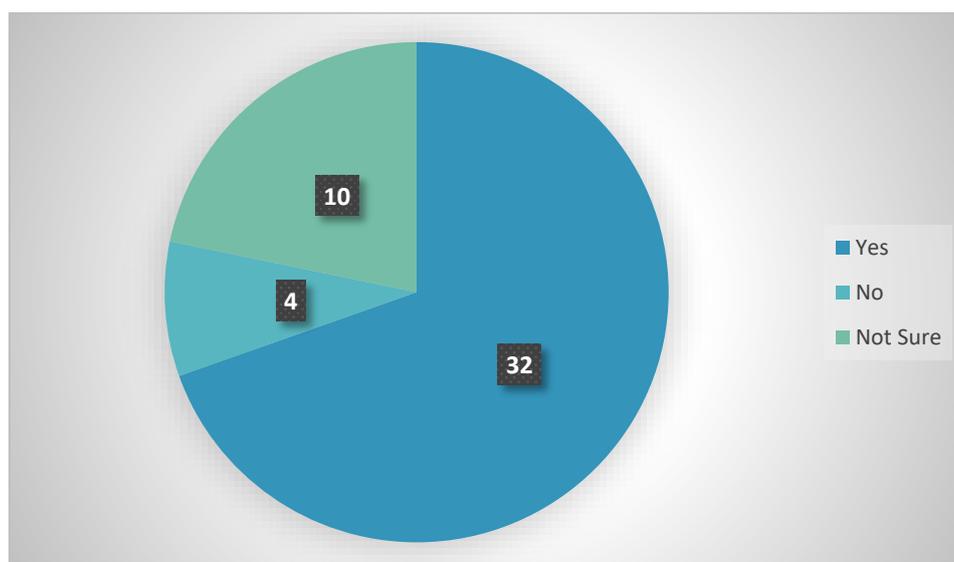


Figure 53 – Number of responses to the question ‘Do you agree with the proposed change for deregistration of forestry participants?’

The proposed change to allow the EPA the explicit ability to deregister ETS participants was supported by 32 out of 46 submitters. They cited that on-going compliance costs time and money, and participants who are non-compliant are avoiding these costs. These submitters agreed on the condition that non-compliant participants be notified in writing the pending action and be given adequate opportunity to rectify the situation after being notified.

10 submitters disagreed with this proposed change for deregistering forestry participants. Reasoning behind this decision referred to the purpose of the ETS being to promote afforestation and discourage deforestation. Allowing the EPA this power may result in

deregistration of participants who not only are confused around compliance measures (and need guidance) but actually want to plant more trees.

Question 57.

Do you agree with the proposed change to rounding rules? If you disagree, could you please provide the reasons why. If there are other options you think we should consider, please list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposed change to rounding rules?

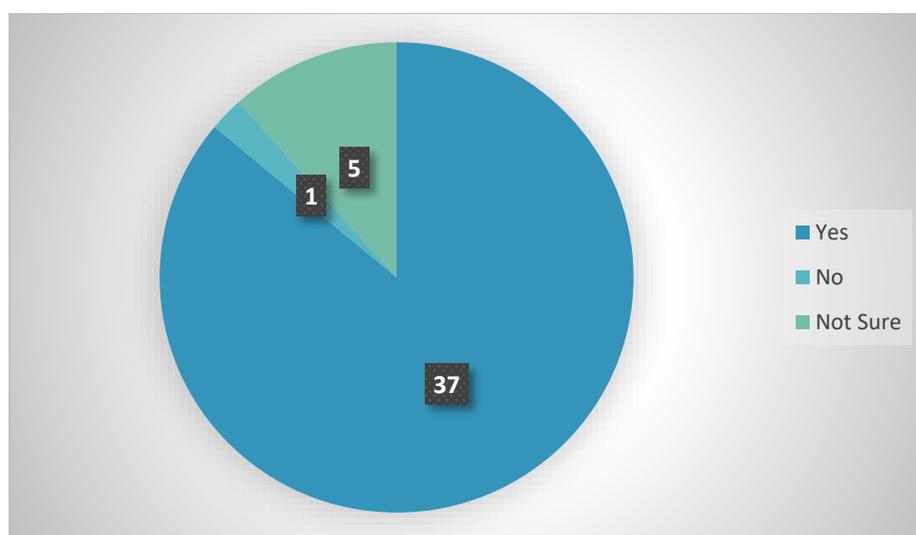


Figure 54 – Number of responses to the question ‘Do you agree with the proposed change to rounding rules?’

Out of 43 submitters, the proposed change to the rounding rules was agreed to by 37, disagreed by 1 and left 5 unsure. Agreeing submitters highlighted that this proposed change would bring about less confusion around rounding rules.

Question 58.

Do you agree with the proposal to allow more flexibility in submitting emissions returns? If you disagree, could you please provide the reasons why below. If there are other options you think we should consider, please also list them below.

Respondents were invited to agree or disagree with the following statement:

Option 1: Do you agree with the proposal to allow more flexibility in submitting emissions returns?

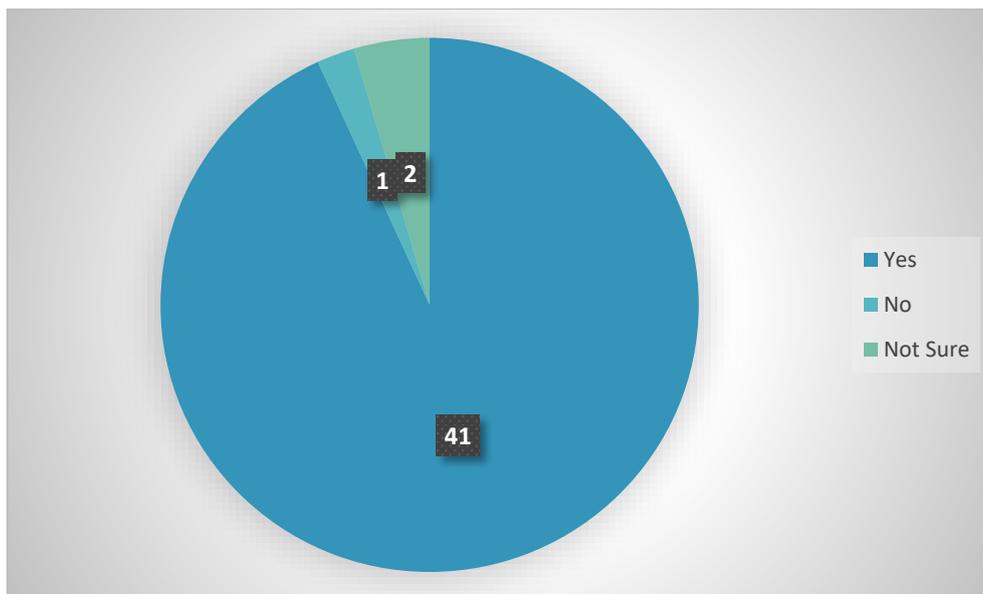


Figure 55 – Number of responses to the question ‘Do you agree with the proposal to allow more flexibility in submitting emissions returns?’

41 out of 44 submitters supported the proposal to allow persons who have submitted a transmission of interest notification (i.e. either the transferee or transferor) to submit a mandatory emissions return. Submitters highlighted that this would reduce the number of non-compliant returns at the end of each commitment period.

The 2 unsure and 1 disagreeing submitters left no reasoning for their decision.

Question 59.

Do you agree with the proposal to standardise timeframes for unit surrenders and payments? If you disagree, could you please provide the reasons why below. If there are other options you think we should consider, please also list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposal to standardise timeframes for unit surrenders and payments?

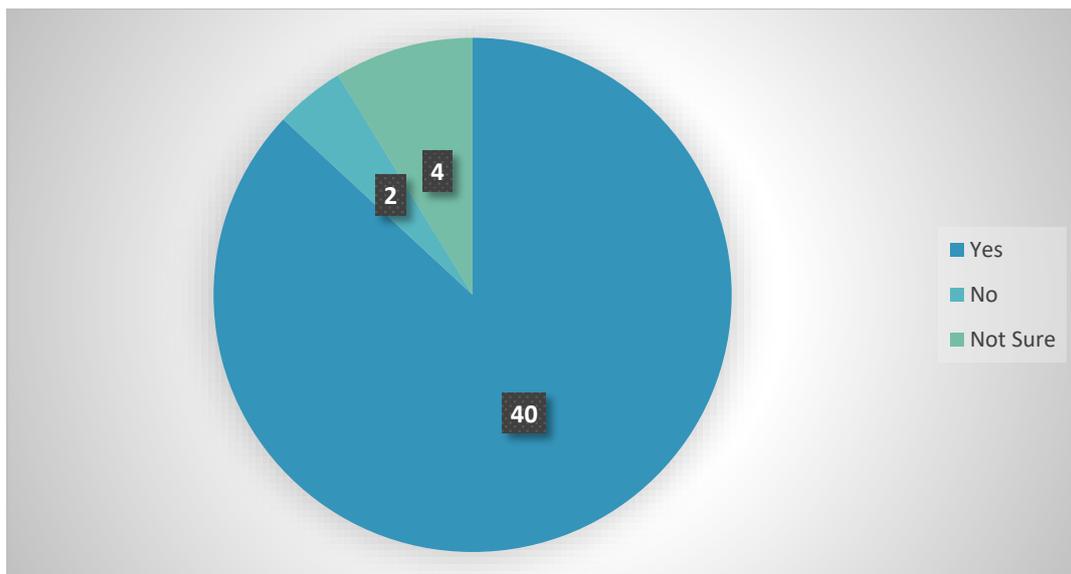


Figure 56 – ‘Do you agree with the proposal to standardise timeframes for unit surrenders and payments?’

The majority of submitters, 40 out of 46, agreed to standardise the timeframe for surrendering/repaying units to 60 working days from the date on which the notice is sent to the participant. Agreeing submitters emphasized that all repayment of units must occur in this timeframe no matter the circumstance.

2 disagreeing submitters cited that the current 20 working days is adequate amount of time to repay units. The other 4 submitters were unsure on their decision.

Question 60.

Do you agree with the proposal to require all returns to be net returns? If you disagree, could you please provide the reasons why below. If there are other options you think we should consider, please also list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposal to require all returns to be net returns?

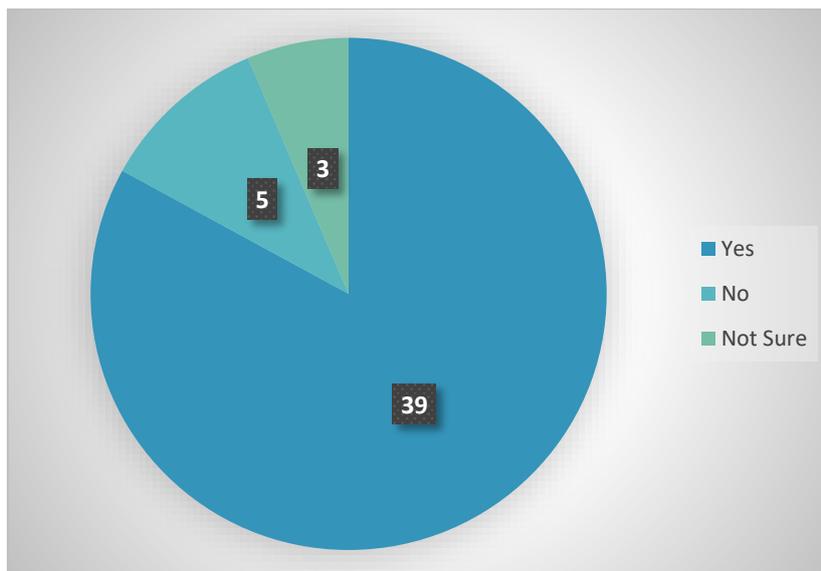


Figure 57 – Number of responses to the question ‘Do you agree with the proposal to require all returns to be net returns?’

39 out of 47 submitters agreed with the proposal citing that this would increase the fairness to other participants, maintain the integrity of the ETS, improve efficiency and reduce the compliance costs.

Only 5 participants disagreed with this proposal, highlighting that this should be an option to have all returns as net returns as there are bona fide reasons for surrender obligations and unit receipts to be split. An example is under joint venture structures where the partaking parties have varying rights in respect of the units.

The 3 submitters who were not sure with the proposal left no reasoning for this choice.

Question 61.

Do you agree with the proposed change regarding the transfer of participant when forestry rights are granted? If you disagree, could you please provide the reasons why below. If there are other options you think we should consider, please also list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposed change regarding the transfer of participant when forestry rights are granted?

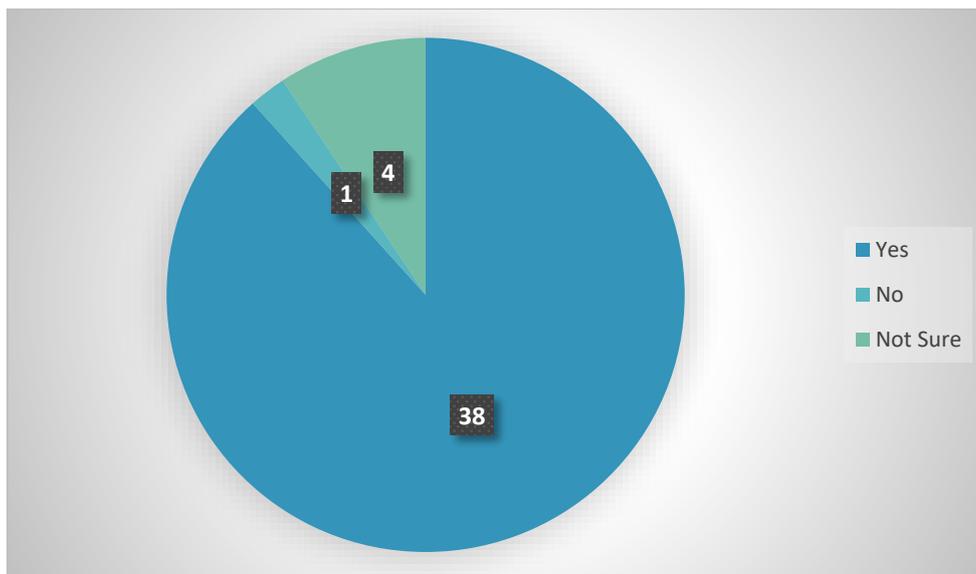


Figure 58 – Number of responses to the question ‘Do you agree with the proposed change regarding the transfer of participant when forestry rights are granted?’

38 out of 43 submitters agreed to the proposal to make the transfer of participation optional when a landowner participant grants a forestry right or lease. The added flexibility to transfer at any time between either the landowner, leaseholder or forestry right holder was well received by supportive submitters.

These supporting submitters raised concerns over this proposed change including how this could lead to potential fraud and/or confusion in the real estate market. Mandatory declarations made to and by all relevant parties and agents is seen as a minimum requirement for this proposed change.

4 submitters were unsure about the proposal while 1 disagreed with it.

Question 62.

Do you agree with the proposed change to cover cases where cleared land is re-established in forest by both planting and natural regeneration? If you disagree, could you please provide the reasons why below. If there are other options you think we should consider, please also list them below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposed change to cover cases where cleared land is re-established in forest by both planting and natural regeneration?

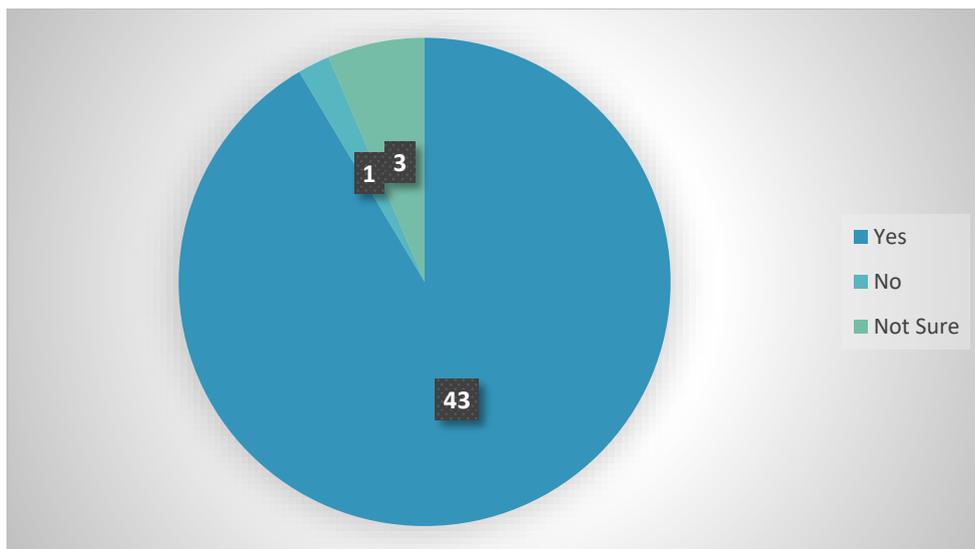


Figure 59 – Number of responses to the question ‘Do you agree with the proposed change to cover cases where cleared land is re-established in forest by both planting and natural regeneration?’

43 out of 47 submitters agreed to the proposed change citing that the increased flexibility would create a more attractive scheme. The other submitters were either unsure (3) or in disagreement (1) but left no reasoning for this choice.

Question 63.

Do you agree with the proposal that deforested exempt land is considered post-1989 forest land if it becomes forest land again nine years or more after being deforested? If you disagree, could you please provide the reasons why below.

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the proposal that deforested exempt land is considered post-1989 forest land if it becomes forest land again nine years or more after being deforested?

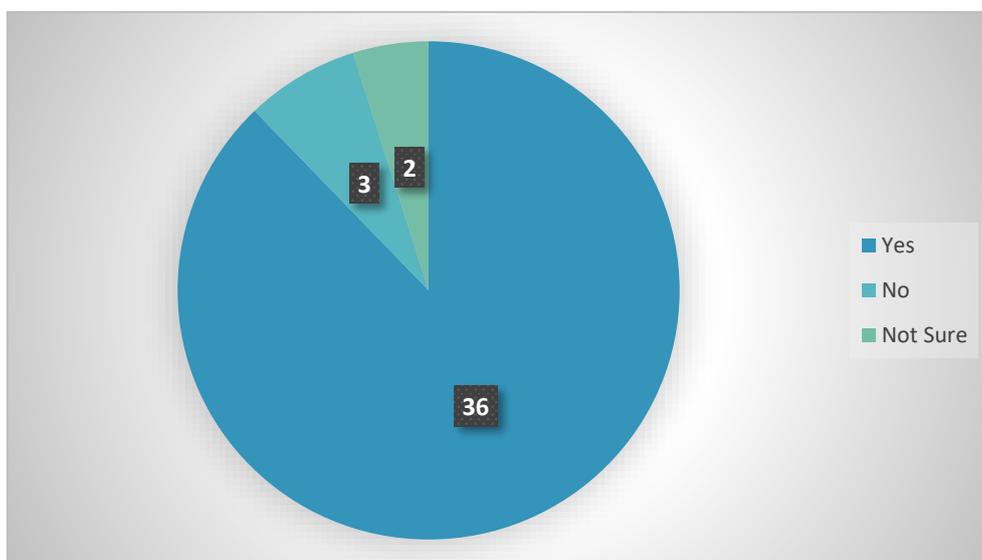


Figure 60 – Number of responses to the question ‘Do you agree with the proposal that deforested exempt land is considered post-1989 forest land if it becomes forest land again nine years or more after being deforested?’

The majority of submitters, 36 out of 41, agree with the above proposal highlighting that it increases the flexibility in options and aligns with international obligations.

The 3 disagreeing submitters emphasized that the stand down period of nine years is too long and conservative, as more carbon sequestration (units) is needed at a faster rate.

Only 1 submitter was not sure about the proposal and left no reasoning behind this decision.

Question 64.

As per above, do you agree with the stand-down period of nine years or more? If not, what period do you think should be used?

Respondents were invited agree or disagree with the following statement:

Option 1: Do you agree with the stand-down period of nine years or more?

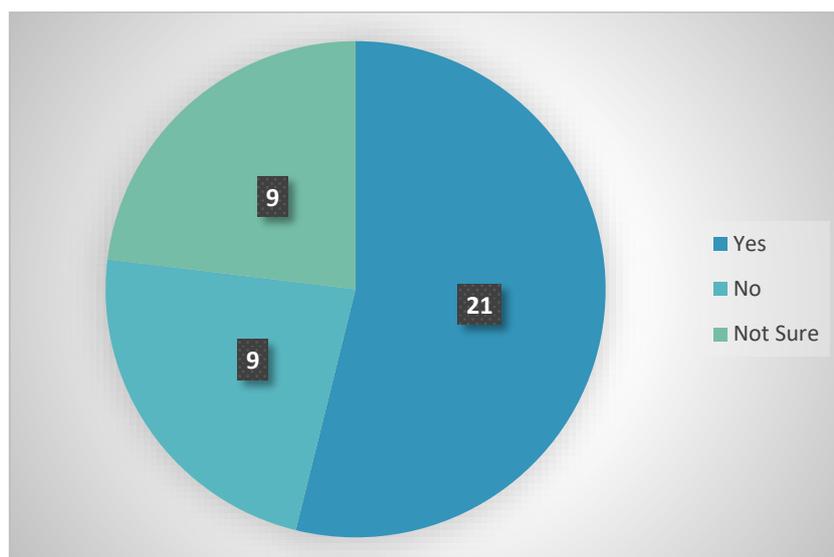


Figure 61 – Number of responses to the question ‘Do you agree with the stand-down period of nine years or more? If not, what period do you think should be used?’

21 out of 39 submitters agreed with the stand-down period of nine years. These submitters felt that nine years was consistent with pre-1990 deforestation rules and that it was a sufficient enough stand-down period for being exempt from the cost of deforestation emissions.

The 9 disagreeing submitters cited that having a nine year stand-down period is restricting these pockets of land from contributing towards carbon sequestration when it could be utilized earlier.

Disagreeing submitters also highlight that this would be beneficial to Iwi/ Māori which have pre-1990 land in poor locations of limited economic attractiveness. Shortening this time period would facilitate a more consistent return for them

