

Managing the Council's NZETS-related Forest Assets and Liabilities

Post-1989 forests and PFSI forests

The carbon management issues arising from post-1989 forests (including PFSI forests) are more complex than those arising from landfill management. This is because forests can be both sources of liabilities and generators of assets. They also create contingent liabilities that will need to be managed.

The Council will actively consider opportunities to increase carbon sequestration in its post-1989 forests. It will also carefully consider the costs and benefits of any forestry operations that reduce the amount of carbon stored in its forests.

Management of post-1989 forests will be in accordance with specific forest or land management plans which include expected forest operations and the carbon sequestration and emission implications of those operations.

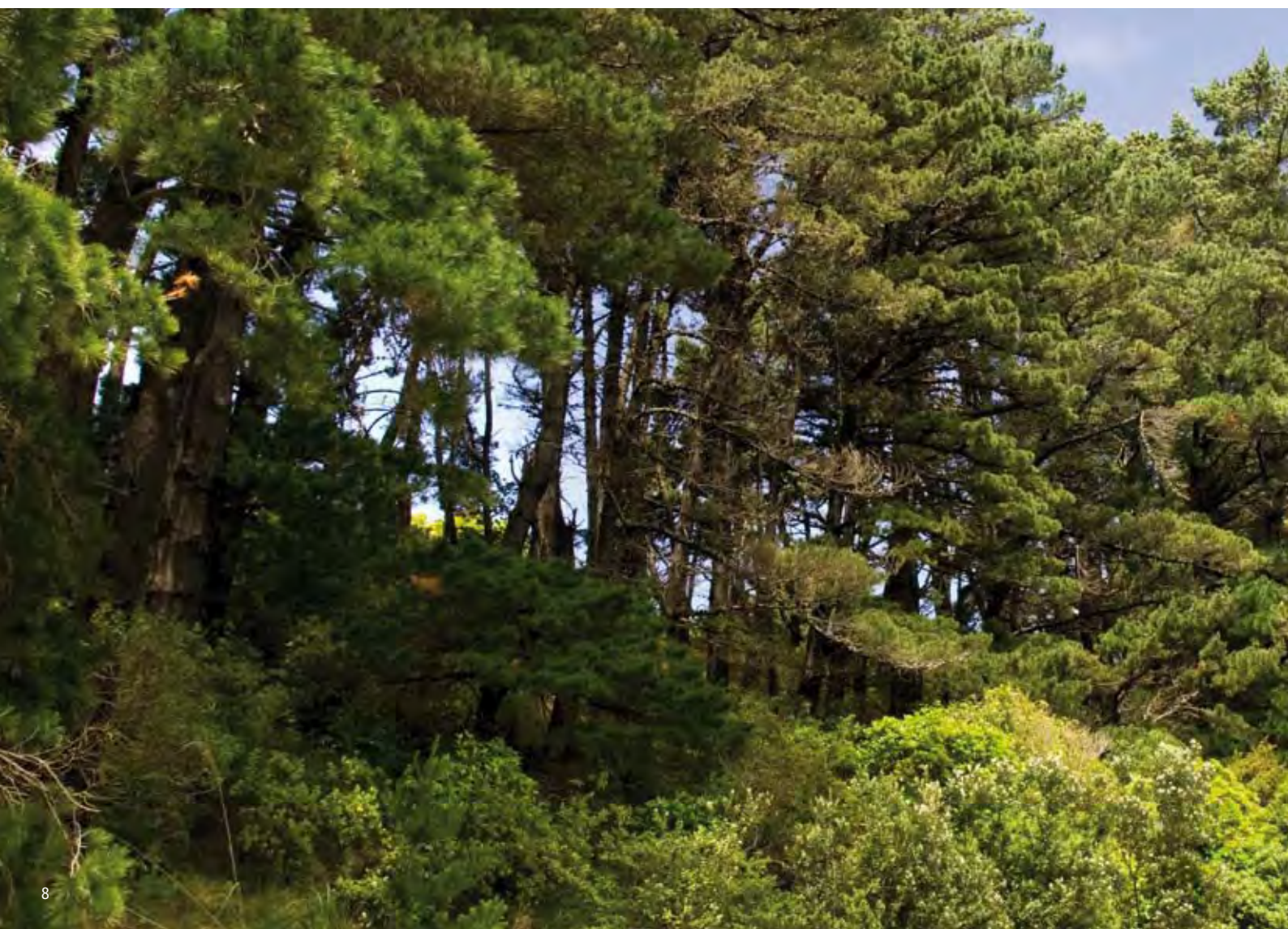
Where forests are expected to be harvested at some future point, future emission liabilities will be estimated and the Council will ensure that adequate emission units are available – from (in no particular order) the forest in question, other forests within the Council's portfolio, or the purchase of units – to cover those estimated future emission liabilities.

Where a forest management plan does not propose harvesting (for example where indigenous forest is being regenerated) up to 90 percent of emission units generated from those forests will be available for sale (including for transfer to other parts of the Council to cover emission liabilities). A reserve of 10 percent of credits generated will be retained to cover unforeseen losses through such things as fires. The level of retained credits will be reviewed 5 years after the adoption of this Policy and adjusted as appropriate.

The Council will seek to optimise its returns from units generated from post-1989 forests. This may mean the Council will sell such units on the open market (as opposed to using them to cover its own landfill liabilities), where the Council can receive a premium for those units given the significant biodiversity attributes they have.

Any new initiatives identified to increase carbon sequestration, such as control of browsing animals or enhancement planting, will be considered by Council along with all other new initiative proposals, either as part of the Draft Annual Plan process or LTCCP processes.

Analysis of the costs and benefits of such proposals will follow the framework discussed above.



Pre-1990 forest deforestation

Under the NZETS deforestation of pre-1990 exotic forests creates liabilities. The Council does not anticipate any significant deforestation activities involving any of its forests.

Where pre-1990 exotic forests are harvested, it is expected that the affected areas will either be replanted or regenerated into a different forest type, such as an indigenous forest. In either case no emission liabilities are created under the NZETS.

Should deforestation of pre-1990 exotic forests be proposed, the deforestation costs created by such proposals will be considered by the Council as either:

- a new initiative under the Draft Annual Plan process; or
- included in the costs of a project to which the proposed deforestation relates. For example, if an infrastructure project required deforestation of an area of pre-1990 exotic forest, the costs of any deforestation liabilities will be included in the costs of the project.



Policies to manage the indirect effects of the NZETS

The Council incorporates any expected price effects arising from the NZETS as part of its Annual Plan and Long-term Plan processes.

Any purchasing or investment strategies to reduce the Council's exposure to NZETS-related price increases will be evaluated as part of draft Annual Plan and LTP processes.

Revenue from sales and cost recovery

Revenues generated from the sale of emission units or from costs recovered by way of fees and charges will be treated as other revenues received by the Council.

There will be no ring-fenced use of revenues arising from the Council's response to the NZETS.