

ISSUE 7 • DECEMBER 2024

CarbonCopy

CarbonCrop Quarterly Newsletter

Feeling LUC-y ?

BY NICK BUTCHER

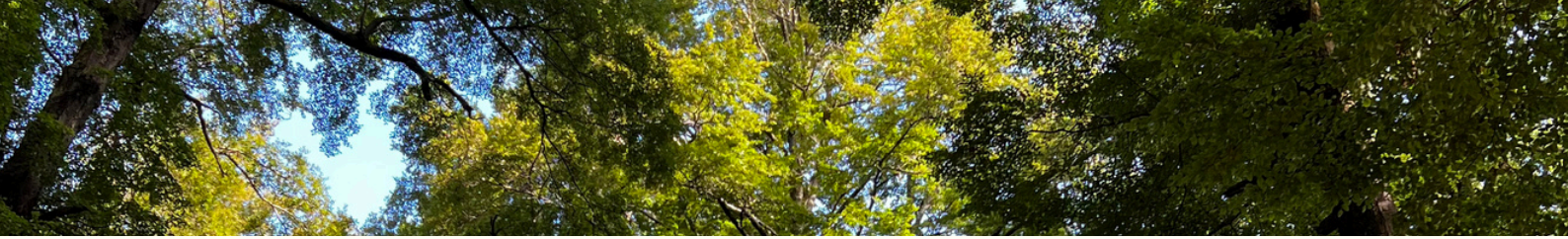
2024 is wrapping up, and the final quarter has been a big one for forests and carbon in New Zealand with multiple long-awaited announcements (and we've also been very busy with additions to the CarbonCrop product suite).

Starting with what's probably the most significant: The confirmation in early December of the policy for limiting conversion of farmland to exotic forestry. Building on National Party policy going into the 2023 election, this policy doesn't actually directly restrict afforestation, but rather restricts the access to incentives for forest in certain circumstances by limiting what can be registered in the ETS... which you can be pretty sure will change afforestation behaviour.

The most important thing we can say on this policy is this: If you think this might impact your planned or ongoing afforestation activities, please get expert advice on the implications before proceeding. The communicated intention is that there will be "transitional exemptions for those in the process of afforestation prior to this announcement and can provide evidence of this dated before 4 December 2024, such as a land purchase agreement, or seedling order.", but we're hoping to receive more clarity around the range and forms of suitable evidence in the New Year.

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Our working assumption is that if you literally had trees in the ground as of December 2024, then they'll qualify for an exemption (however, you still need to worry about the value-at-risk with the approaching end-2025 MERP window, more on that below).

Looking to the future forests this policy targets, the restrictions relate to species, and the Land Use Capability (LUC) classification. At a high level, there is:

- A ban on Exotic ETS registrations on LUC 1-5 land
- An annual national limit of 15,000Ha of Exotic ETS registrations on LUC 6
- No new restriction on LUC7-8, or to native/indigenous afforestation on any LUC.

There are then various exemptions, in addition to the transitional one outlined above, for:

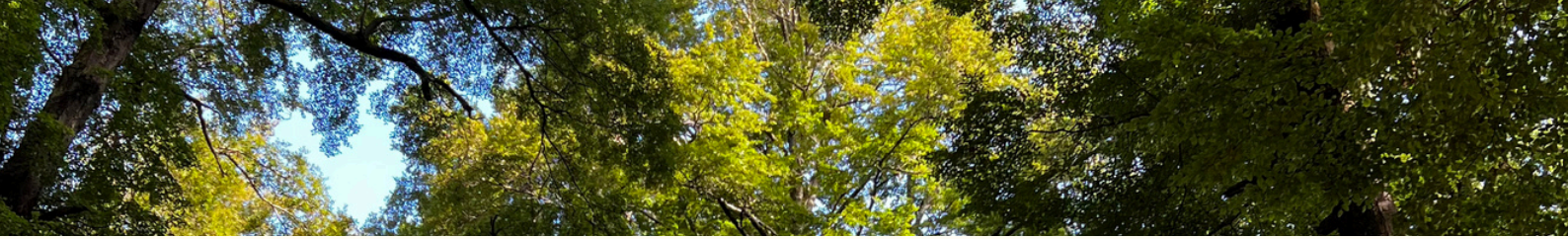
- Up to 25% of LUC1-6 land on a farm (and the ability to use a higher-resolution farm-level LUC map as the basis of calculation)
- Existing ETS registered forest.
- Forest on Maori Land.

Obviously even with the exemptions this is a big change. Many open questions remain, such as:

- How will the 15,000Ha of annual LUC6 exemption be allocated?
- What's a 'farm' for the purposes of the 25% calculation?
- What will the 25% be calculated against? The total area? The total unregistered area? The total unforested area?
- How will this apply through future changes in ownership, registrations/deregistrations, possible subdivisions, etc.

The new regulations are intended to come into effect in October 2025. We expect these changes to have a significant impact on afforestation behaviour into 2025 and beyond, however despite the restrictions we expect there will remain a lot of flexibility and opportunity for ongoing exotic on-farm afforestation, as long as you plan carefully. Especially while the details are being worked through, we encourage you to reference original source information where possible and be wary of summaries (including this one!) - since the announcement we have seen several summaries circulating with material errors. [The original MPI notice can be found here.](#)

We've been busy building support into the CarbonCrop platform to make assessment and planning around these restrictions as easy as possible, and we'll be releasing these (albeit in provisional form, as the regulations won't be final) at the beginning of next year. Expect to hear a lot more from us on this topic as 2025 kicks off.



As if that's not enough to be thinking about, the last few weeks have also brought further announcements on the intentions for public/private partnerships for afforestation of crown land, and the release of Emissions Reduction Plan Two. While it might be tempting to think that crown land afforestation (especially if it's outside the ETS) isn't relevant to private landowners and their ETS participation, that's not the case. Regardless of whether the forest is registered in the ETS, it will appear in NZ's emissions inventory, which will impact the ETS unit supply/demand balance. The ERP2 projections (and beyond) should be revised to include any new 'removals supply' from crown land afforestation (as the plans develop) and it will be important to pay attention to projections on unit supply/demand and price.

Talking price: The final ETS auction of the year partially cleared (full breakdown later in the newsletter), on the back of rising general market confidence and secondary market NZU prices, largely driven by government policy signals around general ETS integrity commitment, backed by actions to reduce future NZU supply. Post-auction, prices have stabilised around \$63, and with this being the final auction of the year the 7.7 million available 'floor price' units unsold are now removed from potential supply, helping to further reduce the stockpile.

Then, just this week, we've had confirmation on the recent fees + optional FMA consultation, the upshot being good news in that:

- The annual regulator fees for ETS registered forest will fall from \$30.25 to \$14.90/ha/yr. The exemption for indigenous forest <6y old remains - if CarbonCrop are managing your ETS registration for you we'll take care of the filings to claim this exemption.
- The obligation to complete field measurements for participants with more than 100ha in the ETS is now officially waived for the 2023-2025 reporting period - you can choose to use the default tables if you prefer. Again, for our customers, we'll be in touch if this is relevant to your situation.

Finally, a CarbonCrop internal highlight: we onboarded our first catchment group to the platform (with more to come early next year) - more about our expanded solutions for catchment level planning below.



Understand, protect, and engage your catchment with CarbonCrop

Supporting a catchment is a big task, but with the right tools, it doesn't have to be overwhelming. Whether you're safeguarding water quality, improving biodiversity, or planning for strategic land use changes, CarbonCrop's platform is designed to support you every step of the way.

Note: when we talk about "catchment group" we're including local government bodies, environmental groups, NGOs, professional groups, and any other organisations working in catchment and ecosystem management.

Understand, protect, and engage

CarbonCrop started as a solution for forest owners navigating the Emissions Trading Scheme (ETS). Now, it's a full toolkit for catchment-wide planning and collaboration. From mapping forested areas to identifying erosion-prone sites, CarbonCrop gives you a clear view of your catchment's landscape and tools to make impactful decisions.

How CarbonCrop supports catchment groups

- Understand your catchment: Visualise land use, forest cover, and priority areas for restoration or planting.
- Engage landowners: Share clear, practical data to support collaboration and informed decision-making.
- Plan for the long-term: Track evidence of activities like pest control or restoration, monitor progress, and ensure smooth handovers between teams.

Practical tools for real-world challenges

- Automated mapping: Quickly assess and organise land across your catchment.
- Financial modelling: Estimate planting costs and forecast potential revenue from carbon credits.
- Impact tracking: Collect data to measure and communicate your environmental results to stakeholders.

Catchment management is complex, but with CarbonCrop, you can simplify planning, strengthen collaboration, and create lasting impact.

Ready to get started?

Contact us today if CarbonCrop is the right fit for your catchment group.



ETS Auction at a glance

The final NZ ETS auction for the year saw 4,032,500 units sold at the floor price of \$64.00. This marked a partial clearance, meaning not all the available units were purchased. Out of 18.8 million units on offer, nearly 15 million units remain unsold, showing limited market demand. Following the December auction, secondary market prices initially aligned with the floor price, but have since fallen, reflecting ongoing challenges in the market.

Comparison to Earlier Auctions

- March 2024 - Partial clearance with over 2.9 million units sold at the floor price of \$64.00.
- June 2024 - No bids placed, auction failed to clear.
- September 2024 - No bids placed, auction failed to clear.
- December 2024 - Partial clearance with over 4 million units sold at the floor price of \$64.00, some restoration in market confidence.

Looking Ahead to 2025

- Price Floor
- The minimum price remains set at \$68.00 per unit.
- Auction Volumes
- Each of the four scheduled 2025 auctions will offer 1.5 million units, totalling 6 million units for the year—a significant reduction from 2024's volumes. This reduction in auction volumes aims to address the current oversupply and support market stability moving forward. An additional 7.1 Million units are available in the cost containment reserve, however this is not triggered until a minimum clearance price of \$193.00.

For a more detailed outline of the auction results, you can view the [December 2024 Auction Results](#) on the Ministry For the Environment's website.

Market Update



Carbon Market Commentary

BY KERRY WILKINS - EMSTRADEPOINT

- Over the last quarter, carbon prices have been very stable, with a trading range on emsTradePoint of \$59.25 - \$64.50
- The final Government Carbon auction for 2024 saw just over 4 million units clear at \$64, this was a 'partial clearance' and was expected by the market. Just over 7 million of a possible 14.1 million units on offer via Government auctions in 2024 will be scrapped at the end of the year, auction units available in 2025 will have a \$68 floor and only 6 million are to be auctioned (plus the Cost Containment Reserve units, but those units are only triggered at prices of \$193 and \$242)
- [NZX Managed Auction Service](#)
- Dame Patsy Reddy has been appointed as the CCC chair, replacing Rod Carr. [New Climate Change Commission Chair appointed | Beehive.govt.nz](#)
- We continue to see small to medium sized forestry owners selling units to generate cash.
- Outgoing CCC chair (Rob Carr) recommends carbon negative 2050 target. [Climate Commission recommends carbon negative 2050 target - Newsroom](#)
- The Government recently announced clear rules to limit farm to forestry conversions entering the Emissions Trading Scheme (ETS). [Protecting NZ food production and ETS credibility | Beehive](#)
- European Carbon prices are currently sitting around 68.50 Euro (\$124 NZD) and Australian units (ACCU's) at \$38.50 AUD (\$42 NZD)





Recent announcements

Second Emissions Reduction Plan

The Second Emissions Reduction Plan (2026–2030) focuses on cutting emissions through a wide range of initiatives across sectors like energy, transport, waste, and agriculture. In forestry and carbon removals, key actions include restricting carbon credit registrations for exotic forests, and refining the ETS to stabilise the carbon market. The plan highlights nature-based solutions and promotes sustainable land use while balancing environmental and economic priorities. [Full details are available here.](#)

LUC exotic planting limits

The New Zealand Government is tightening rules around carbon market access for exotic forests on productive farmland. The proposed restrictions will put a moratorium on the ETS registration of Exotic forests established on farmland in Land Use Capability 1–6 (generally higher productivity farmland). Some exemptions are proposed allowing both a national quota of 15,000Ha/yr on LUC6, and an exemption for afforestation in progress prior to 4 December 2024, and an exemption for Maori Land. In addition, a farm-level exemption will allow Landowners to still plant up to 25% of their farm in forests for carbon credits, helping them balance land use while protecting top farmland for food production. [Learn more about this change here.](#)

Government private sector partnerships for crown land afforestation

The New Zealand Government plans to partner with the private sector to plant native and exotic trees on underutilised Crown land. This initiative aims to support climate change targets, including achieving Net Zero by 2050, while creating jobs and enhancing biodiversity. [Read more here.](#)

Government passes bill to keep farming emissions out of ETS

Parliament has removed agriculture from the ETS, delaying emission pricing until 2030 to develop a "fairer system. You can read more about it in [this article](#) or check out the [transcript from the bill reading](#).



Recent announcements

Resetting the Emissions Trading Scheme annual charge for post-1989 forestry participants

The Government recently consulted on reducing the annual charge for post-1989 forestry ETS participants from \$30.25 to \$14.90 per hectare and addressing field measurement approach cost concerns. Outcomes from this consultation are expected in early 2025. [Read more about the consultation on the MPI website.](#)

Recognising space-plantings and exotic hardwoods in the New Zealand Emissions Trading Scheme

The Government has reviewed how space-planted poplars, willows, and exotic hardwoods are recognised in the NZ ETS, aiming to improve carbon tables and better reflect their unique characteristics. Feedback from the consultation will guide updates expected in 2026 - [check out the summary published here.](#)

emsTradePoint platform update

In August, emsTradePoint began exploring options for their carbon trading platform, including the possibility of a sale or closure. While no decision has been made yet, they are continuing to assess its future and expect to provide an update before the end of the year.



Important dates

19th March 2025 - Next ETS Auction

Although forestry NZUs are not sold in these auctions, the results of the auction can affect NZU prices on the secondary market.

30th June 2025 - Provisional Emissions Returns (PER) to be submitted

You do not need to file a PER, but if you are submitting a PER in 2025 you will need to do so before 30th June. If you are a CarbonCrop customer read below for more information on how you can get the process started.

31st December 2025 - Registration completion deadline for recognition of 2023-2025 carbon sequestration.

If you want your forests carbon sequestration over the 2023-2025 period to be recognised with NZU, it needs to be registered (not just have an application for registration submitted) before 31st December 2025.



Max Forest Carbon

The Maximising Forest Carbon programme is a four-year research and policy initiative running from mid-2023 to mid-2026. It's led by Te Uru Rākau – New Zealand Forest Service, with support from the Ministry for the Environment and the Department of Conservation, and is made up of experts working on forestry, emissions policy, and conservation.

The programme aims to enhance carbon storage measurement and reward systems in New Zealand's forests. They're currently focused on three key areas:

- Updating the Emissions Trading Scheme's default carbon tables
- Exploring advanced measurement methods like remote sensing
- Investigating management practices for pre-1990 native forests to boost carbon sequestration.

Progress so far includes research into updated carbon tables and early assessments of forest management's impact on carbon storage. Further updates and decisions are anticipated as the programme advances - [you can find out more about their work here.](#)



Get prepped for your next emissions return

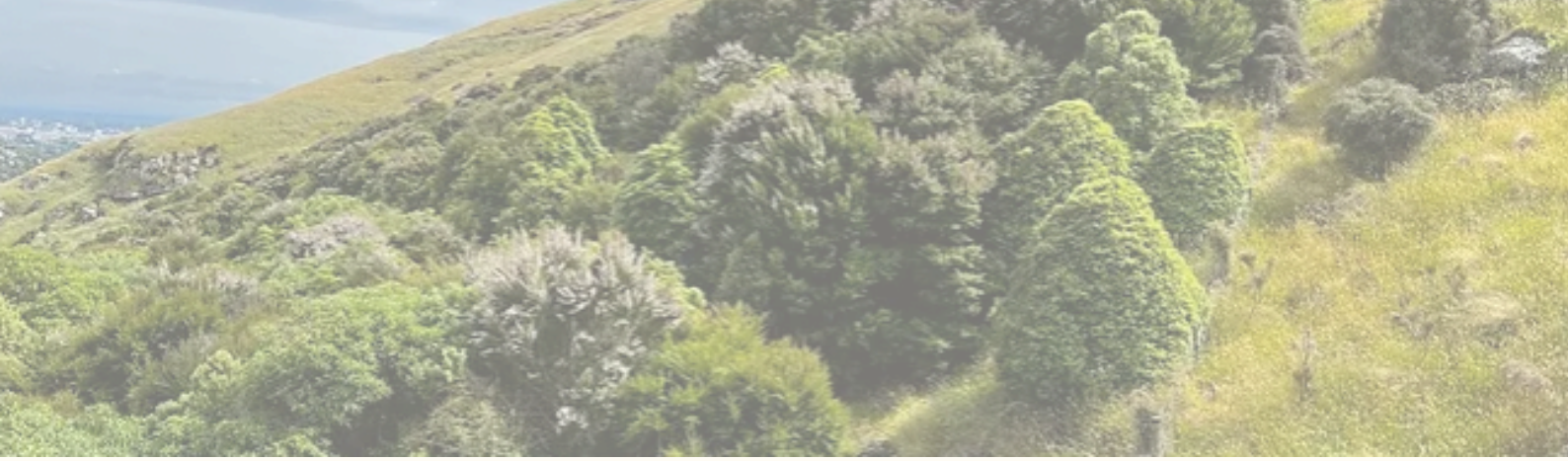
With the Provisional Emissions Returns (PERs) coming up, it's time to start getting ready so you can hit the ground running in the new year. If there have been any changes in land ownership, title or forest status (e.g. harvesting your forest) covering ETS-registered areas - this needs to be shared with the regulator.

If you are an existing CarbonCrop customer, our team takes care of your PER. We'll reach out to you via email to get things started, so don't worry. If you have any questions about PERs or want to contact us about a change regarding your registration, please reach out to your CarbonCrop Account Manager.

Make the most of the MERP

The current Mandatory Emissions Return Period (MERP) for the ETS ends on 31st December 2025. Any eligible forest registered by then can claim credits for the carbon sequestered from 1st January 2023 onwards - that's three years' worth of credits you could be missing out on.

So, if you have additional unregistered forest land, new plantings, or naturally regenerating areas on your land, now's a good time to consider whether adding them to your current Emissions Trading Scheme (ETS) registration is right for you. Applications must be submitted and accepted before 31st December 2025, and the Ministry for Primary Industries (MPI) is currently taking around six months to process new registrations. So, if ETS registration is something you're considering, starting early can make a real difference in maximising your credits.



CarbonCurious

Navigating carbon markets can feel overwhelming, but what if farmers had the tools to manage the process themselves? CarbonCrop’s collaboration with Agnition’s Pilot Farm Network put this idea to the test, using real-world feedback to refine a “supported DIY” approach to ETS registration. The results were promising – 1,200 hectares of forest identified for ETS eligibility and \$300,000 in annual carbon credits uncovered over the 8 farms in the pilot program.

Our platform simplifies carbon and forest restoration with tools like automatic mapping, yield calculators, and step-by-step guidance, empowering farmers to explore opportunities at their own pace. Ready to see how we’re making carbon markets more accessible for landowners?

Check out our [case study](#), [blog post](#) or [watch the recording](#).

What’s New?

Every month we release updates to the CarbonCrop platform – you can check them out on our [“What’s New” page](#). We post these blogs at the start of each month – you can [subscribe to our blog here](#) to stay up-to-date with the latest on the CarbonCrop platform.



Did you miss....?

External

- [Second emissions reduction plan released](#)
- [Carbon auction partially clears raising \\$258m for Govt](#)
- [Land use change report: Drivers and Barriers to Optimising Land Use in NZ](#)
- [Getting paid to protect nature is good business](#)
- [Tackling nature-loss could bring major economic boost](#)
- [Nestlé cautions NZ dairy farmers to improve efficiency](#)
- [Climate deal could help NZ buy credits to meet its carbon pledges](#)
- [After 40 Years, New Carbon Sequestration Study Confirms the Value of Trees](#)
- [Most corporate net-zero targets don't go nearly far enough, analysis finds](#)

Internal

- [Understand, protect, and engage your catchment](#)
- [Climate impact at scale: How the new zealand merino company produces low impact wool](#)
- [How CarbonCrop gives Atkins Ranch confidence to share their sustainability journey](#)
- [Understanding ISO and GHGP in Carbon Accounting](#)
- [Are some removals better than others?](#)
- [Do native forests or riparian planting have biodiversity value?](#)
- [Why should I use removals?](#)
- [What is the SBTi?](#)
- [How do I get to net-zero?](#)
- [What's the difference between insets & removals?](#)
- [The critical role of evidence in carbon projects to ensure success](#)
- [CarbonCrop Platform Updates](#)

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The CarbonCrop Team

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