

CarbonCrop

Kia ora ,

Welcome to the 1st edition of CarbonCopy. We'll keep you up to date on carbon-y things that are specifically relevant to you.

This time round:

1. Editorial
2. Carbon Market Commentary
3. Summary of recent ETS announcements
4. \$90 million on the table for native forests
5. Things you might have missed

The image shows the word "CarbonCopy" in a dark, serif font, centered over a background of a dense forest with green trees and a clear sky. The text is slightly transparent, allowing the background to be visible through it.

CarbonCopy

CarbonCopy Editorial

Many missed that there were two important ETS announcements in late March. Both delivered in the space of two hours, the announcements were decidedly different and painted the Emissions Trading Scheme (ETS) in different lights.

The review of the ETS is important, and an opportunity to 'even the carbon playing field' for native forests. But we are disappointed with MPI proposing to hit the brakes on its no fees policy for the Permanent forest category of the ETS only 90 days after they were removed in the first place.

We think this directly undermines the government's commitment to incentivising new native forest planting through the ETS by introducing further obstacles to restoring native forests. As a country, are we for native forests, or against?

Read more in our Farmers Weekly opinion piece [here](#).

The Climate Change Commission recently released advice to the Government on ETS settings. These recommendations should help restore confidence in the long-term future of the ETS and carbon prices.

We've summarised the key points of the recommendation and the two announcements for you below the carbon market commentary.

What to take away from this uncertainty

Anyone with unregistered forest who wants carbon credit cash flow in January should register in the ETS as a matter of urgency - whether it is native or exotic. In 2022 registrations took around 5-6 months to process and you need to be accepted by early next year to claim credits in 2023. The earlier you submit your application, the more likely you are to be accepted in time to file for those credits.



Market Update



Carbon Market Commentary

Cathy Lawless, emsTradePoint

The NZU carbon market has experienced a significant fall in price since the end of last year, and particularly since the end of February 2023.

There have been two key contributors to this very recent price drop:

1. The Mar-23 Emissions Trading Scheme Government auction.
2. MfE's announcement that they will be reviewing the role of the Emissions Trading Scheme in New Zealand's climate change response.

These follow an already uncertain market caused by MfE's announcement of their auction settings for price and volume for 2023. The price announcement in particular was significantly lower than the Climate Change Commission's recommendations put forward to the Government in the middle of last year.

Here are some key statistics:

1. In mid-December 2022, price fell overnight from \$84.50 to \$77
2. End of February 2023 prices fell below \$70
3. The last time the price was below \$70 was January 2022
4. The lowest price traded on emsTradePoint since the recent announcement has been \$50
5. The last time price was below \$50 was August 2021

Watch our recent carbon market discussion [here](#).



*These prices are emsTradePoint Daily Volume Weighted Average Prices (VWAP). Please see the indices calculation methodology on [our website](#) for more information.



Summary of Recent Announcements

ETS review sounds good for natives overall

1. Overall it sounds positive for native afforestation and native forests in the ETS.
2. The review recognises the need to reduce emissions and will look at how the ETS better encourage this.
3. The review will look at how to better incentivise native afforestation through the ETS to support emissions removals.
4. The review will look at the balance of native and exotic forest in the ETS and the risk of the ETS driving exotic afforestation.

Old fees reintroduced, new fees added for Permanent category

1. MPI is proposing to reintroduce fees for permanent category which is the category where the majority of natives are registered.
2. Proposed fees disproportionately impact native forests, which tend to be smaller and have lower returns from carbon than exotics. This is inequitable.
3. Native forests are under-represented in the ETS already, and any further disincentive for native forests makes it harder to reach our stated national emissions reduction goals.

Climate Change Commission recommends to get more aggressive

Key ETS recommendations include:

1. Reduction of the free allocation of emission units to industry in order to encourage them to reduce their emissions more quickly.
2. Tightening the cap on emissions allowed under the NZ ETS to ensure emissions reductions are achieved at a faster rate.
3. Removing the "transition phase" that allows new participants to enter the NZ ETS with unlimited access to cheap international units.
4. Increasing the carbon price to encourage emission reductions and incentivise low-carbon investments.

These recommendations should restore confidence in the long-term future of the ETS and carbon prices.



\$90 million per year in carbon credits unclaimed for native forests

We have estimated there are currently around 150,000 hectares of native forest eligible to be registered in the ETS right now that are not currently registered. That is around \$90 million per year in carbon credits landowners are missing out on.

Do you know someone who has tried to register before? Artificial intelligence and satellite imagery has changed the game. Forests can be assessed and measured remotely and more accurately to identify native forests that are eligible for the ETS.

Read more [here](#).

Don't let your mate across the gate miss out on a potential slice of the \$90 million pie. The [free](#) assessment means there's no upfront financial risk in finding out what they've got and what it's worth.



Things You Might Have Missed

External

- [MPI reminder to submit Mandatory Emissions Returns by end June](#)
- [Opinion: time for native forests to make a comeback](#)
- [Climate Change Commissions advice for ETS review](#)

Internal

- [Quarterly carbon market update with emsTradePoint](#)
- [Unclaimed \\$90 mil on the table for native forest owners in the ETS](#)
- [What the recent ETS fee change proposals mean for you](#)
- Practical tips on pest control: [overall](#) and [specifically for deer](#)

If you found this helpful, please feel free to forward on to others. They can subscribe [here](#) to receive the newsletter directly.

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