Carbon Monitor

Volume 13 Issue 7 **August 2008**

Potential for Voluntary Market Credits from New Zealand Post 1990 Forest

Voluntary emissions reductions or VER's would appear possible for New Zealand exotic forest for the period prior to Kyoto first commitment period from 2008-2012 inclusive.

Key in this endeavour would be the selection of the appropriate voluntary standard that would allow creation of emissions credits for plantation forestry.

The PFSI does not deal with carbon sequestered prior to 2008 and would not create voluntary credits.

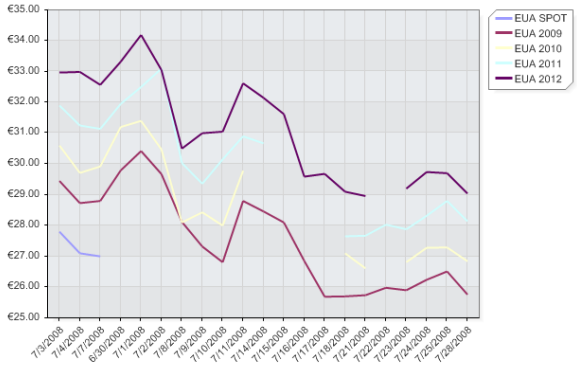
It would appear that many of the published standards for voluntary reductions rely on 'additionality'. This is the concept of whether the sequestration would have happened in a 'business as usual' case. Of course forests prior to 2008 were already in existence and applying for credits would fail due to additionality.

However there are standards that may give rise to voluntary credits for the period 2005-2007 inclusive.

If you have Kyoto Forest and would like to join a pilot program to investigate issuing of voluntary emissions reductions for subsequent sale please contact us.

EU Price Update

All allowances softened considerably in the last month



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NZETS Select Committee Reports

Pre-1990 Forest Land

Allocation of Free NZUs

Owners of pre-1990 forest land will, in most situations, be required to account for deemed emissions on conversion of such land from forestry to another land use (e.g. conversion to dairy farms). Under the Bill, in partial recognition of this restriction on owners of such land, there will be an allocation of free NZUs to such land owners.

Understandably, such land owners made vigorous representations to the Select Committee (and via the media) about the impact of this Government policy on their property rights. In response, the Select Committee has recommended a number of changes to the Bill in relation to the proposed allocation of free NZUs for pre-1990 forest land. The free allocation process requires an allocation plan to be arrived at following a process of public submission. This approach is still to be followed, but the Bill now contains additional detail as to the process. Under the revised Bill, the previously indicated approach of a simple pro rata allocation of NZUs based on land area has been dropped.

The allocation for pre-1990 forest landowners remains capped at a total allocation of 55 million free NZUs (in two tranches with different effective usable dates). However, some landowner groups have been singled out for varied treatment in any allocation of free NZUs under the revised Bill.

The first group are owners of pre-1990 forest land who acquired the land prior to a date to be stipulated (some time in late 2002). We understand the rationale for singling out this group is because they would have purchased their land prior to indications in 2002 that some form of deforestation liability may be imposed and so would not have factored into their buying decision the restriction on land use. Their allocation is to be increased from 39 NZUs to an estimated 60 NZUs per hectare. At a carbon price of, say, $20 per tonne of CO_2 equivalent, this equates to a change from $780 per hectare to $1,200 per hectare. Other owners of pre-1990 forest land who acquired their land after the 2002 date continue to receive 39 NZUs per hectare, on the basis that they ought to have been aware of potential restrictions on land use. The 2002 date is seen by some as being arbitrary and unjustified.

The second group are Treaty claimants who receive Crown forest licence land under a Treaty settlement at any time from 1 January 2008 up to the allocation date

or, having received such land prior to 1 January 2008, that land is identified as eligible land in the allocation plan. The allocation in respect of such land and parties is to be 18 NZUs per hectare. In essence, the flexibility to achieve the above increased allocation comes from the Crown (as owner in its own right of pre-1990 forest land - Crown forest licence land) reducing its share from 39 NZUs to 18 NZUs per hectare.

As can be appreciated, the changes to the Bill still leave some of the detail of this relatively complex rejuggling exercise to the appropriate allocation plan. In particular, we see potential issues around clarifying what is meant by "eligible land" in the context of an allocation to pre-1990 forest land, the 2002 cut off date and what does, or does not, constitute a change of ownership.

http://www.simpsongrierson.com/publications/fyis/fyi-climate-change-emissions-trading/select-committee-report-emissions-brtrading-scheme-and-forestry.html

Australia ETS Weakens

CANBERRA, July 16 (Reuters) - Australia on Wednesday unveiled plans for one of the world's biggest carbon trading schemes, including measures to protect motorists and large companies from higher costs which drew the ire of green activists.

The centre-left government, which swept to victory last year on the back of fury among working voters at rising prices under conservative rule, released an options paper for how emissions trading is likely to work from July 1, 2010.

"The effect of putting a price on carbon will be profound," Climate Change Minister Penny Wong said in a television address. "Placing a limit and a price on pollution will change the things we produce, the way we produce them, and the things we buy."

Australia is the world's biggest per-head polluter, with each person producing five times more emissions than the average in China.

The government's plan aims to curb carbon emissions by forcing 1,000 of Australia's biggest-polluting firms, including global miners BHP Billiton <BHP.AX><BLT.L> and Rio Tinto <RIO.AX><RIO.L> to buy permits placing a cost on emissions.

The regime would cover 75 percent of emissions in the A$1 trillion ($980 billion) economy, with the inclusion of fuel from the 2010 start and hard-to-measure agricultural emissions from 2015, the government said.

But with officials predicting the scheme could add 0.9 percent to consumer prices in its first year; the proposals also pose deep political risks for Prime Minister Kevin Rudd in an economy already battling inflation at 16-year highs.

To ward off a ballot backlash in late 2010, after trading comes into force, Wong said low-earners would be buffered from inevitable price hikes through tax breaks and welfare.

Motorists angered by soaring fuel pump prices, already up by 30 percent in recent months as world oil prices soared to new highs, would be mollified by "cent-for-cent" fuel tax cuts to balance emission price hikes, to be reviewed every three years.

With Treasury officials estimating on Wednesday that the sale of permits could net government as much as A$20 billion, big polluting energy firms would receive up to 30 percent of total permits free of charge, including agriculture, the government said.

The largest polluters, producing more than 2,000 tonnes of carbon emissions per A$1 million of revenue, would initially pay for only 10 percent of their total emissions. Companies producing between 1,500-2,000 tonnes would pay for 40 percent of emissions.

Assistance would taper off with time to allow companies to replace dirty technology with cleaner production methods, the report said.

Other energy-intensive firms like cement and aluminium manufacturers exposed to cheap competitors in Asia would also receive grants from a new Climate Change Action Fund to be set up with the proceeds of emission permit sales.

DIRTY INDUSTRIES

Environmental critics accused Rudd of capitulating to the big polluting "greenhouse mafia" by compensating "dirty" energy firms after the government's top climate adviser two weeks ago recommended against assistance.

"All this proposed ETS does is prop up dirty industries, such as coal-fired electricity generation, allowing them to maintain the status quo. It will result in nothing more than paper shuffling," Greenpeace Climate spokesman Simon Roz said.

Climate experts said the scheme could be a model for Asia and fuse with an eventual global emissions trading system.

"What is good is that the coverage is broad. Unfortunately some parts of the science are crudely handled, and this matters in terms of its effectiveness,"

said Barry Brook, Director of the Research Institute for Climate Change and Sustainability at Adelaide University.

The report did not say what Australia's overall emissions cap should be or put a price on carbon emissions apart from a working assumption of A$20 a tonne, used for inflation impact estimates.

Emissions trade around the report's release indicated a soft start to the scheme in 2010, with initial prices starting at A$19-A$20 a tonne, but "speculative" buyers offering A$16, said Gary Cox, Manager of Environmental Derivatives at the Newedge Group in Sydney, which brokered one of six deals.

A Singapore-based carbon broker said the report contained no major surprises, but pointed to a broader scheme than in Europe, where 100 percent of emission allowances had been allocated free against only 30 percent in Australia.

The government is to release hard Treasury figures setting the market price in October ahead of laws to go to parliament in late 2008 setting up the emissions scheme.

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EITG develops, facilitates and engineers Carbon Mitigation projects and strategies.

EITG corporate advisory provides high-level briefings and advice on building robust responses to emerging regulatory structures.

EITG Carbon Pool provides forest owners with a robust platform to access local and international markets while dealing with harvest and other liabilities.

EITG provides trading platforms and strategies based on extensive mitigation and avoidance platforms under JI and CDM, with matched offset packages for emitters.

EITG is part of an international consortium with representation in Asia/Pacific, UK, USA and South Africa

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