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# Carbon Monitor

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## Commerce Commission Steps in to Regulate Carbon Claims

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The New Zealand Commerce Commission the regulator for the Fair Trading Act issued a discussion document regarding carbon offset and neutrality claims.

As the regulator for trade practice and claims made in trade, the COCOM as it is known wants to send a strong message to the market that unfounded claims will be prosecuted.

The problem is that the Commission has yet to fully appreciate the complexities of its undertaking. The discussion document for instance insists on the use of Additionality as a 'basic requirement' for a legitimate carbon offset.

This of course is true with projects in Non Annex B countries, which are not subject to an emission cap under the Kyoto Protocol, but completely irrelevant in the New Zealand context with the NZETS and NZU units.

It goes on to deal with 'double counted offsets' which again are dealt with in the NZ regulatory environment.

COCOM fails to distinguish between the Kyoto Market and Voluntary Markets in its draft guidelines. We have made this point to them in submission and would like this clarified in the final document.

We think what COCOM is doing is very positive for Voluntary Carbon Markets and essential given some of the snake oil being promoted to NZ forest owners by the Johnny come lately forest carbon 'experts' who promote the VCS carbon standard to forest owners. (See December 2008 Carbon Monitor)

We hope the COCOM comes down hard on irresponsible carbon advice and this paper indicates they may very well do so.

The section on Permanence and Risk Management illustrates why carbon pools are essential.

It suggests that misleading conduct may be derived from 'poor risk management'

What this means is that those who receive forest based credits could use the Fair Trading Act deceptive and misleading conduct provisions to reverse contracts. Should a forest owner sell ANY credits Kyoto or otherwise to a purchaser and that purchaser relies on

the vendors risk management and the risk management proves to be faulty and potentially misleading the remedy under the Fair Trading Act allows the purchaser to reverse the contract to place them back in the position they would have been before they entered into the contract to purchase the credits.

This of course is not normal contract law and as such would place major burdens on the Vendors as forest owners to ensure that the proper risk management was in place.

<http://www.comcom.govt.nz/Publications/ContentFiles/Documents/Draft%20guidelines%20on%20carbon%20claims.pdf>

### First Trade of NZU Recorded

OMF financial announced what it claims as a world's first trade in NZU units under the New Zealand Emissions Trading System.

NZU or New Zealand Units represent one tonne of CO<sub>2</sub>e and are the currency of the NZ emissions trading system.

They noted that the units were issued based on the removal from the atmosphere of CO<sub>2</sub> by New Zealand forestry post 2008. Some 50,000 tonnes were traded at NZD\$20.

They also noted whilst the parties remained anonymous, they wished to see the NZETS operational and functioning.

### Commentary

It is interesting to note that whilst under review the New Zealand ETS is still fully functional. Emissions returns can still be lodged, the NZU entitlement calculated and NZU units issued.

The New Zealand Emissions unit register <https://www.eur.govt.nz/> where all such NZU units are registered shows no transactions at this time and no NZU units issued to any forest owner.

The sale therefore is likely subject to the issue of such units and when the transfer is recorded we will update readers.

EU Price

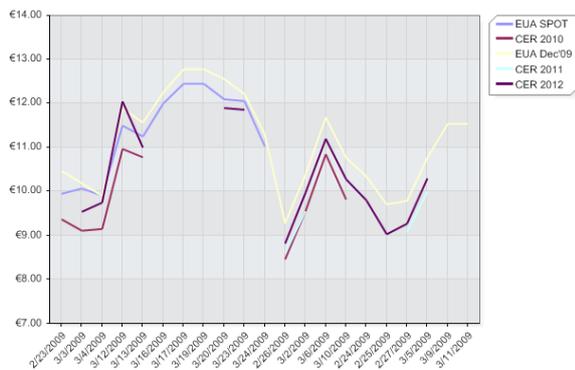
Update



Allowance prices continued a general upwards trend with prices in NZD for CER units increasing to nearly \$30 NZ, the price prior to the recent financial uncertainty.

The market however remains nervous and volatile with uncertainty surrounding many of the factors influencing the price.

An up coming auction of EUA by the UK Government is expected to inject further volatility into the market over the coming fortnight.



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## MAF Releases Final Look Up Tables for the NZETS

The New Zealand Ministry of Agriculture and Forestry has released its guide to using the Look-Up tables for the New Zealand Emissions Trading Scheme.

<http://www.maf.govt.nz/sustainable-forestry/ets/guide/lookup-table-guide.pdf>

Whilst the NZETS remains under select committee review the structure and registration process continues forward.

Some of the examples are interesting and worth reproducing.

## Using Look Up Tables

To use a look-up table to calculate carbon stocks for a given area of forest land, the following information needs to be available from records held by the Participant:

- whether the area is a pre-1990 or post-1989 forest land;
- the forest type on each area of forest land;
- if the forest type is *Pinus radiata*, the region the forest land is located in;

- the age of the forest type at the time carbon stocks are to be determined; and
- if a second (or later) rotation post-1989 forest, the previous forest type and its age at harvest, and
- the region the forest land is located in if the previous forest type was *Pinus radiata*.

The information needs to be available on a hectare-by-hectare basis, and is reported as summarised data for either the entire registered forest area (for pre-1990 forest land) or at the CAA level (for post-1989 forest land).

### Examples: Tree age at the time of deforestation of pre-1990 forest land

- A first rotation Douglas-fir forest was planted in September 1985 and is deforested in February 2013. Applying rule (i) above, the age of the forest to be used to calculate the deforestation liability using look-up tables is 28 years.
- A *Pinus radiata* forest was planted in the Auckland region in June 1968. It was harvested in June 2008 at age 40 years and Douglas-fir seedlings were planted soon after. The land therefore remained pre-1990 forest land. In November 2012, the Douglas-fir forest was cleared and the area changed to dairy farming: that is, deforestation occurred. The Douglas-fir trees are thus four years old at the time of deforestation. However, under rule (ii) above, the deforestation liability that exists is calculated using the look-up tables for the previous rotation *Pinus radiata* forest at an age of 40 years. The resulting liability is very large: 1090 tonnes CO<sub>2</sub> per hectare for an Auckland forest (look-up table data from Appendix 1, Schedule 4, Table 1, column 2).
- For example B above, consider that the harvest of the Douglas-fir forest is delayed until January 2017. The Douglas-fir trees are then nine years old under rule (i). Rule (ii) above no longer applies, and the deforestation liability that exists is calculated using the look-up tables for Douglas-fir forest for an age of nine years. The resulting liability is much smaller than for example B: 131 tonnes CO<sub>2</sub> per hectare (look-up table data from Appendix

### Example: Tree age at the time of commencement and end of an emissions return period

A Douglas-fir forest is planted in June 1992. The owner joins the ETS in June 2012, and files a first emissions return in the first quarter of 2013. The

return covers the period 1 January 2008 until 31 December 2012. Under the rules for determining the age of trees on post-1989 forest land:

- The year of planting of the trees is 1992.
- The year of commencement of the emissions return period is 2008, and the age of the trees in that year is:  $2008 - 1992 = 16$  years.
- The emissions return period finishes on 31 December 2012, so the year used to determine age at the end of the emissions return is the year after, that is, 2013. The age of the trees at the end of the emissions return period is:  $2013 - 1992 = 21$  years.

**Example: Tree age at the time of commencement and end of an emissions return period, with harvesting and replanting of part of the forest during the return period**

A 40 hectare *Pinus radiata* forest is planted in the Auckland region in June 1992, but in May 2010 the owner decides to harvest half of it and immediately plant Tasmanian blackwood.

The owner joins the ETS in June 2012, and files a first emissions return in the first quarter of 2013 that covers the period 1 January 2008 until 31 December 2012. Under the rules for determining the age of trees on post-1989 forest land:

- The year of planting of the *Pinus radiata* is 1992.
- The year of commencement of the emissions return period is 2008, so that the age of the *Pinus radiata* trees at that time is:  $2008 - 1992 = 16$  years.
- The year that half of the *Pinus radiata* forest was harvested is 2010, irrespective of when in that year the trees were cleared. The age of those trees that were harvested is:  $2010 - 1992 = 18$  years.
- The year that half of the post-1989 forest land was re-planted with Tasmanian blackwood is 2010, irrespective of when in that year the new trees were planted.
- The age of those trees at the end of the emissions return period is therefore:  $2013 - 2010 = 3$  years.
- The age at the end of the emissions return period of the *Pinus radiata* trees that were not harvested in 2010 is:  $2013 - 1992 = 21$  years.

Australian Emissions Trading  
Legislation Draft Released

The draft Carbon Pollution Reduction Bill 2009 was published in mid March. The bill reflects most of the points in the white paper of December 2008 and codifies this into law.

Robust debate and lobbying is expected as the Bill transits the house and faces approval of the Australian Senate.

Some speculation as to the timing is emerging given the expectation or otherwise that the Rudd Labour Government will call an early election, in part to seek a mandate for this Bill.

Regional Performance Comparison  
of Look Up Tables

Michael Cambridge of Blenheim, a long time supporter of Environmental Intermediaries & Trading Group Limited and avid Carbon Monitor reader wrote to us supplying a table comparing growth rates of *Pinus Radiata* in different parts of New Zealand.

He proceeds to say in the email, *'It includes new simplified look up tables for pine. It is interesting to note the difference in growth rates between Nelson/Marlborough and Gisborne and other fast growing North Island areas. I have extracted the data below which shows that trees grow much faster initially in Gisborne but the difference decreases with age. Does this look right to you professional foresters?'*

The table looks like this:

Year	Gis	Marl	Gisborne	Marl	Compared	Marl
	0	0	0	Increase	to Gisborne	per year
5	77	28	77	28	36.36%	5.6
10	219	132	142	104	73.24%	20.8
15	372	232	153	100	65.36%	20.0
20	558	386	186	154	82.80%	30.8
25	722	543	164	157	95.73%	31.4
30	861	690	139	147	105.76%	29.4
35	985	825	124	135	108.87%	27.0
40	1102	947	117	122	104.27%	24.4
45	1220	1061	118	114	96.61%	22.8
50	1347	1170	127	109	85.83%	21.8

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EITG corporate advisory provides high-level briefings and advice on  
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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, Europe, USA and South Africa

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Let your thoughts be known at  
[www.ghgemissionstrading.wordpress.com](http://www.ghgemissionstrading.wordpress.com)

This blog is designed to discuss all aspects of emissions trading and  
GHG as well as the Kyoto Protocol

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