

Government consults on carbon sinks

Concerns over de facto nationalisation of forest assets were raised during a workshop held recently in Rotorua as part of the Government's consultation on ratification of Kyoto and internal policy to discuss forest carbon sinks, the *Carbon Monitor* reported.

The *Carbon Monitor*, a newsletter of Environmental Intermediaries and Trading Group Ltd, said that prior to the meeting cabinet discussion papers had been released on this issue.

Part of the Cabinet discussion centred on questions over the proportion of the carbon creditable to be retained by the forester.

"This raised the ire of most of the participants as this was perceived as a nationalisation of an existing right."

Recent newspaper reports had stated the Minister for the Environment was looking at retaining the credits from forestry for the Government. While these reports were rejected as inaccurate by people actually present at the briefings, the Cabinet Papers signalled a question as to the government's intentions in this area.

"New Zealand has to deal with the issue of the large reduction in ruminant methane from decreasing livestock numbers. This reduction is similar to the reduction in industrial emissions in Russia and the Ukraine, and is likely to be claimed by the Government as its own."

A number of issues complicated the retention of part of a forest based carbon credit by the Government, the *Carbon Monitor* said. These included the ability of the owner to choose harvest date and the need to repay credits. The risk and liability associated with the credit was also a factor, as was who was liable for the Government credit shortfall if the forest was lost.

"The issue of the indivisibility of the credit and the actual timber also raises questions of ownership and property. Claims for compensation on the basis that the Carbon is being nationalised are also likely."

There was also good news on the development of a system to take into

account wood products and use as opposed to the current deemed emission on harvest. The expectation was set that wood product use would be a factor in second and subsequent commitment periods.

Copies of these papers can be sourced by contacting EITG or Caren Inwood, Communications Adviser, Climate Change Ministry for the Environment, PO Box 10-362, Wellington; email Caren.inwood@mfe.govt.nz

Industry challenge highlighted

The challenge facing the industry was highlighted at the annual meeting of the New Zealand Forest Owners Association held in conjunction with the NZ Forest Industries Conference at Auckland on October 5. In his opening remarks, president Peter Berg noted that the recovery of the Asian economy and the decline in the value of the New Zealand dollar saw a welcome recovery in forest products returns. Between June 1999 and June 2000, total export earnings from the forest sector increased from \$2.45 billion to \$3.11 billion - an increase of 26 per cent over a 12-month period.

Associated with this was a record harvest from the country's forests - more than 18 million cubic metres over a 12-month period.

"This level of activity, and the further major increases in the volume of timber coming to harvest, has focused attention on the ability of the infrastructure - particularly roads - to handle the increased volume."

Further growth in the sector would require a climate that was conducive to business. This meant making the issue a political priority at central and local government level, commitment, strong leadership and consistency.

The previous government used to say its commitment to exporting was expressed through the creation of an environment conducive to business, and for a period in the last 1980s and early 1990s, this may have been true. However, the lessening of priority over time had seen New Zealand rapidly weaken in the international

competitiveness stakes.

Govt relations reviewed

The New Zealand Forest Industries Council (FIC) has been encouraged by its relationship with the current government.

In his report at the annual meeting of the FIC, held in conjunction with the industry-government partnership conference, chair Devon McLean said the organisation was restructured three years ago.

This led to changing its membership to a mix of major companies and key sector associations providing linkages to small to medium-sized enterprises, and new and emerging sectors involved in forest and forest products manufacturing. The FIC established a combined national office with the NZ Forest Owners Association, with joint task groups in the environment, safety and communication areas to raise the profile of the forest industry at a national level.

The FIC's ability to communicate with key audience groups, such as the government and policy and deliver agencies on the industry's development needs, had been greatly enhanced.

"This is especially important given the change of government in November [1999] and the new approach to economic management and industrial and regional development adopted by the Labour/Alliance Government."

The change of government had seen the FIC take every opportunity to ensure the new Ministers and lead officials fully understood the domestic and international development needs of the industry.

"The response to date has been positive and we look forward to continuing to work with the leaders and their support teams to the benefit of the industry and to the New Zealand economy as a whole."

Log prices under scrutiny

A column in the *National Business Review* noted that Carter Holt Harvey had been buying every log it could, pushing up prices by as much as 30