

ETS Overview & Update

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Te Uru Rākau – New Zealand Forest Service

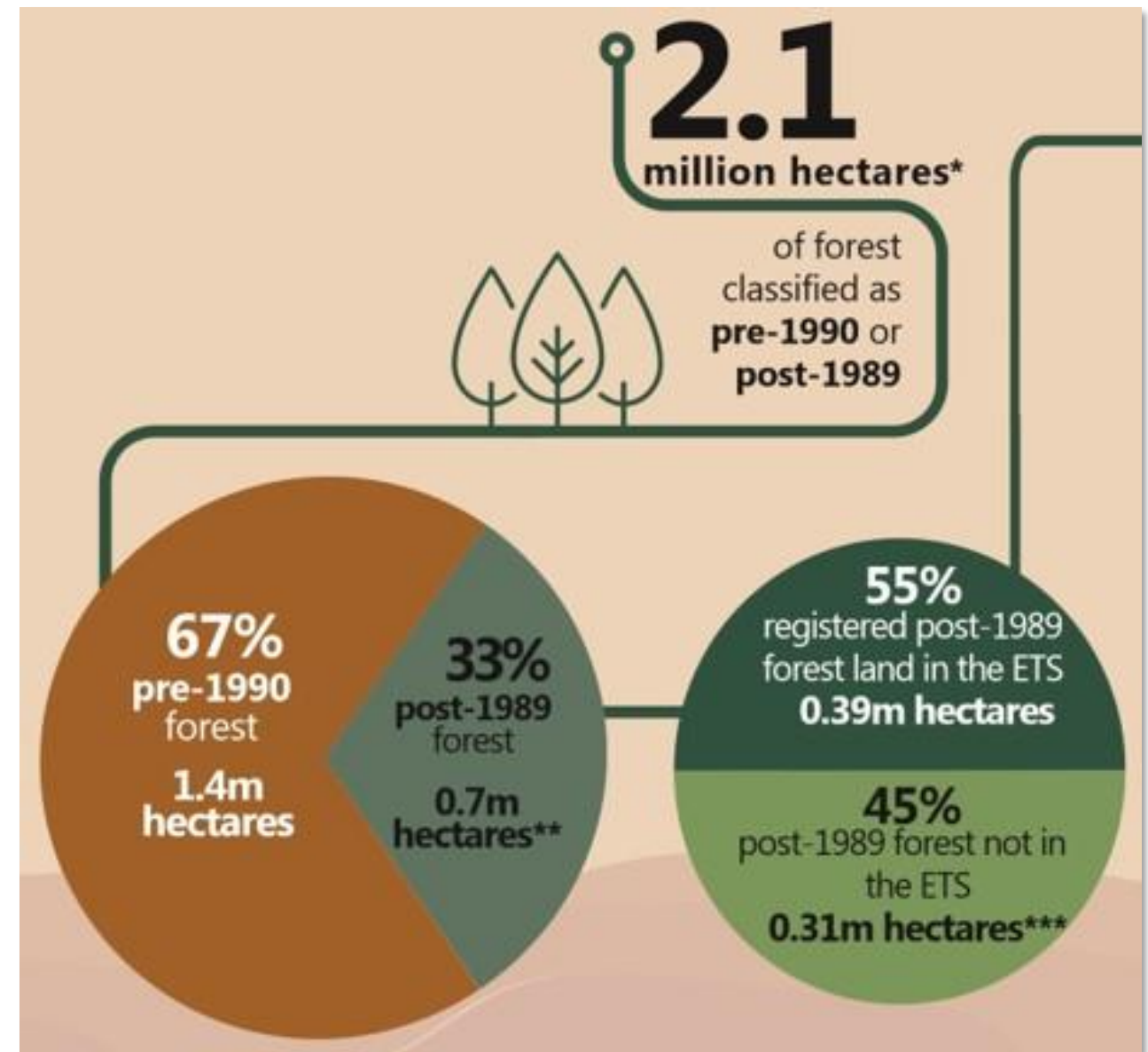
11 September 2022

Workshop Overview

- Overview - the Forestry Emissions Trading Scheme @ 11/09
- ETS change overview and next steps in the process
- Changes to legislation with a focus on the key impacts
- Tupu-Ake demo
- Facilitated activity

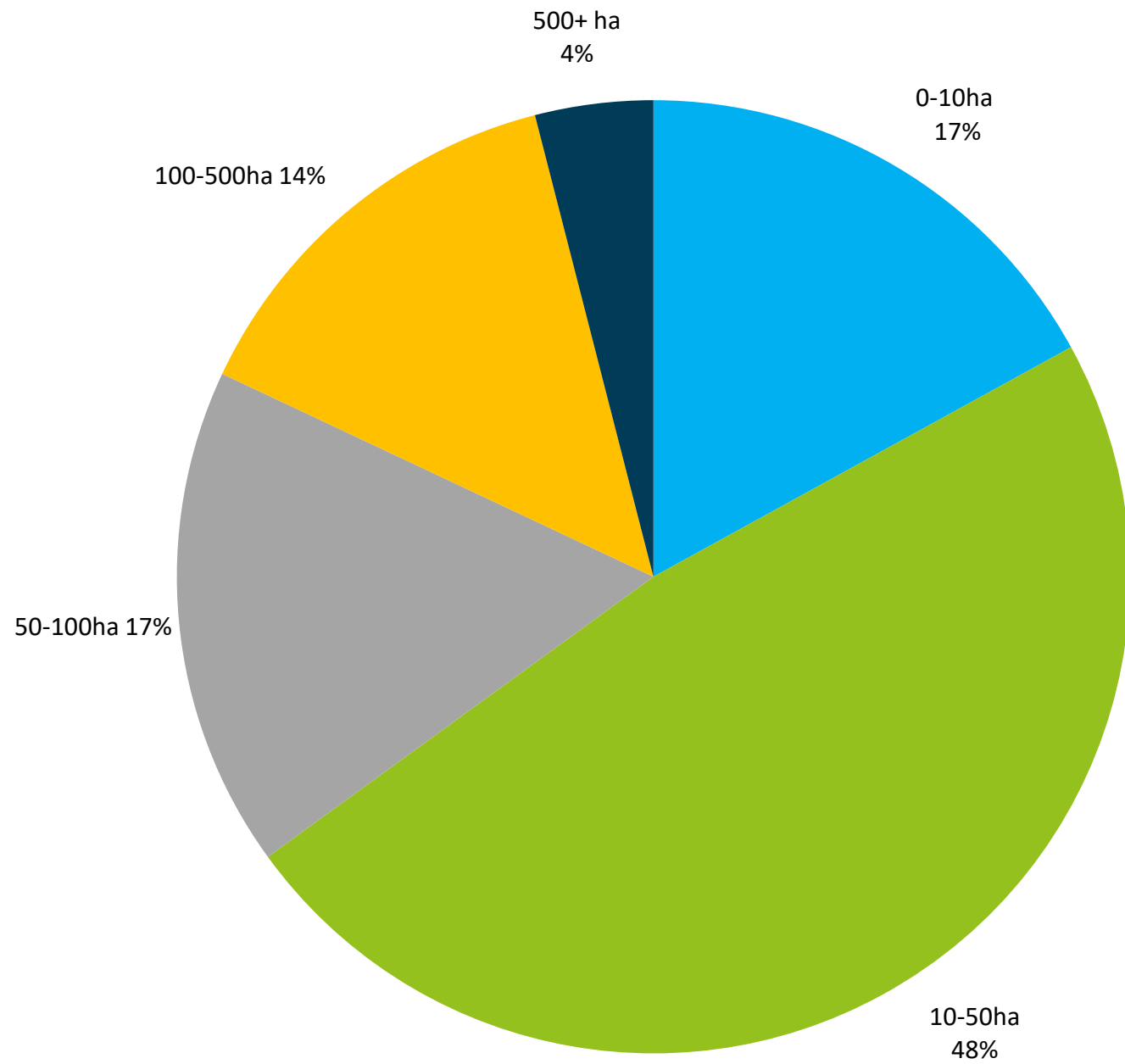
Forestry in the ETS

- 2,544 post-1989 forest land participants.
- 387,361 ha post-1989 forest land.
- 6.1 million carbon credits claimed in last year – value around \$455 million.
- 88% post-1989 forest land in the ETS on LU classes 6 to 8.

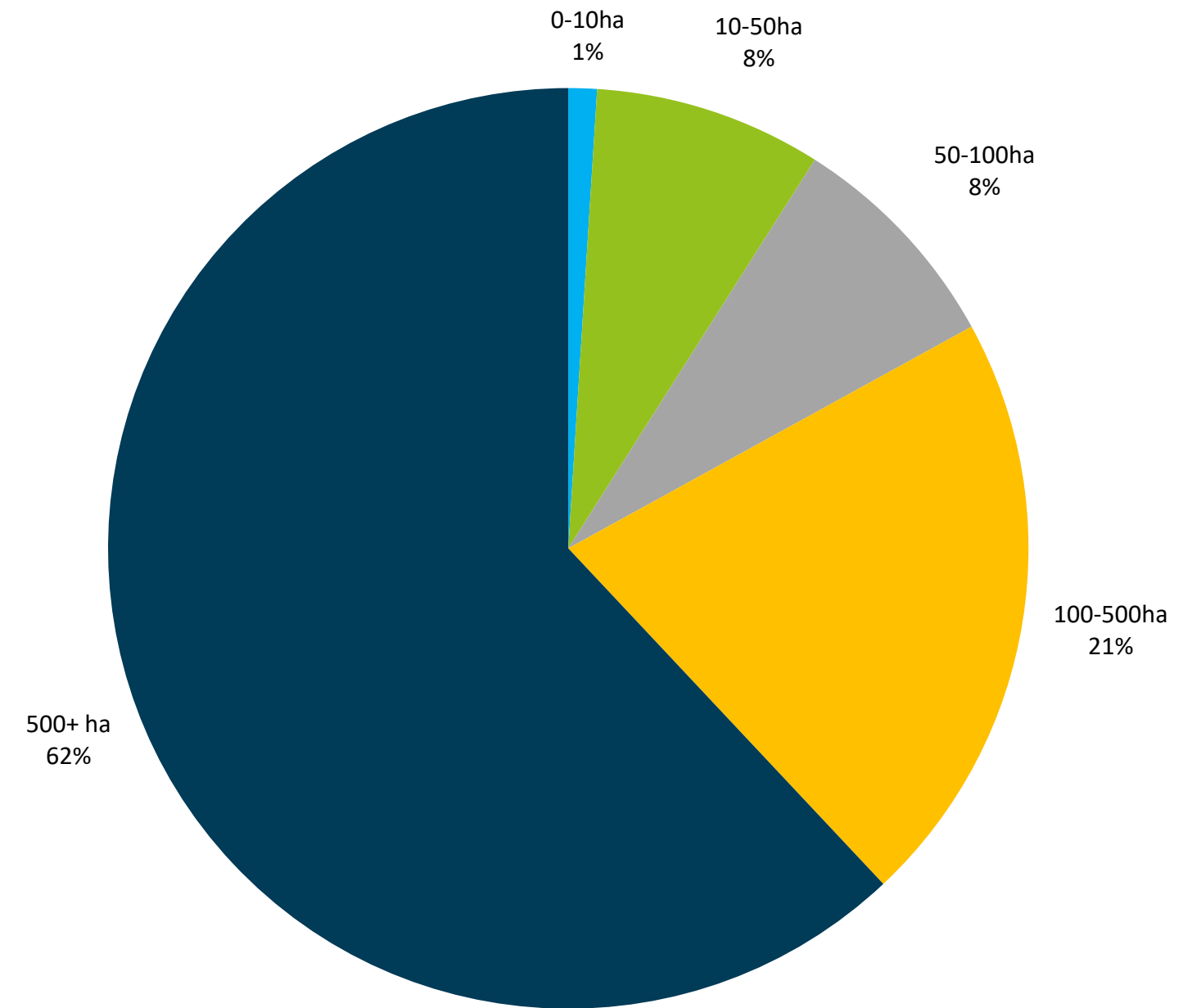


Participants and their Forestry in the ETS

PARTICIPANTS BY THE SIZE OF THEIR FORESTS

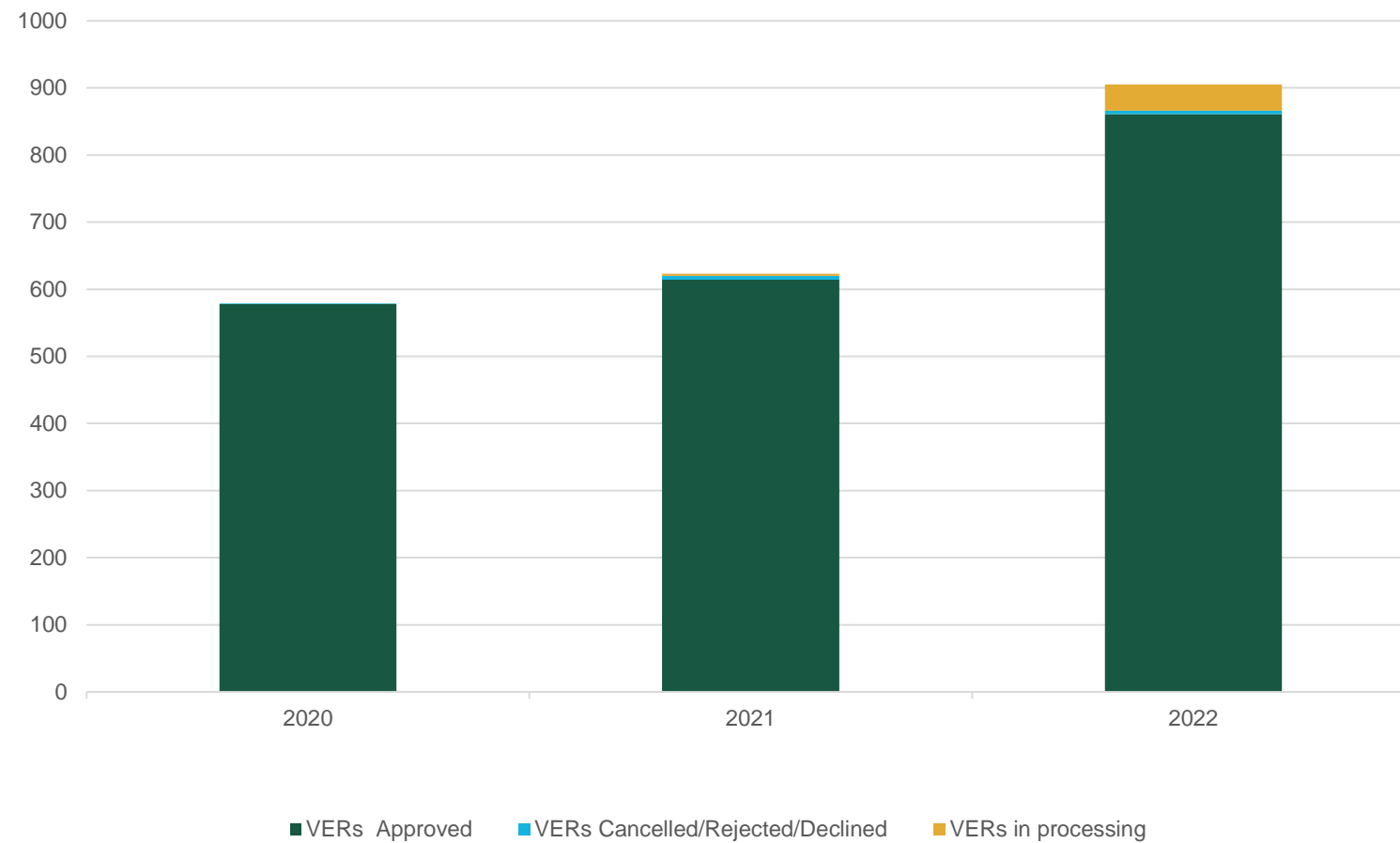


FOREST AREAS AS A PERCENTAGE OF TOTAL AREA

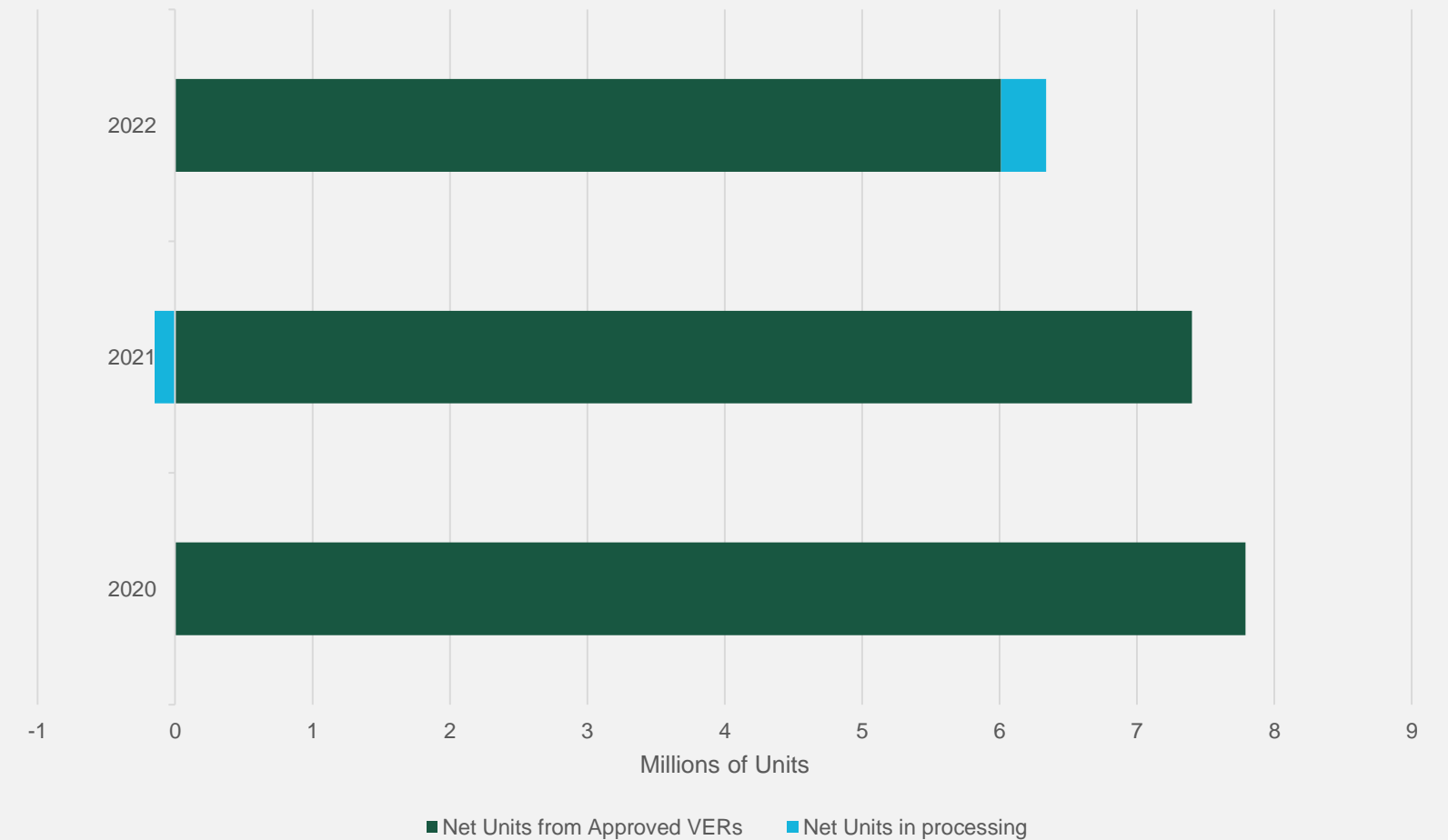


Voluntary Emissions Returns Yearly Growth

VER APPLICATIONS BY YEAR OF SUBMISSION



UNIT OUTCOME OF VERS BY YEAR OF SUBMISSION



Te Uru Rākau NZ Forest Service Operations

- Huge volume of post-1989 applications driven by carbon prices and averaging accounting
 - 130,000ha (1,545 applications) in year to June
- We have:
 - Increased staff
 - Improved processing efficiency –
 - The hectares processed in 2022 (to June) are 4x the number processed in last 3 months of 2021
- Improvements are ongoing.
- General improvement in quality of applications.
- We aim to get as much land as possible processed before 31 December.

BUSINESS CHANGE AND READINESS ACTIVITIES

Supporting the January go-live and beyond

	SEPTEMBER				OCTOBER				NOVEMBER				DECEMBER				JANUARY				FEBRUARY							
	5	12	19	26	3	10	17	24	31	7	14	21	28	5	12	19	26	2	9	16	23	30	6	13	20	27		
Milestones	NZIF Conf Sep 11				Regs gazetted Oct 1				Survey 2				Survey 3				Field days Nov 30				Go-live- TBC							
Change	Change support as required – all identified audiences				Readiness Survey 2				Change support as required – all identified audiences				Readiness Survey 3				Change support as required – all identified audiences				Change support as required – all identified audiences							
Education	New Legislation regulation about the ETS system demos – education (events and comms) for all identified audiences												As for January				Face-to-face, system training courses – frequent external users (Consultants)											
Māori Forester Engagement	Ongoing Māori Forester engagement – zui (online zoom hui) and wananga for education and getting ready to go-live																											
Engagement and Comms	NZIF Conf Sep 11				ETS Alerts Comms to support Change Education Training – all identified audiences												Field days Nov 30				As for September - November				ETS Alerts Comms to support Go-live Education Training – all identified audiences			
Tupu-ake Go Live Readiness	Preparing for Transition to Tupu-ake. Comms for all identified audiences.																											

HOLIDAYS

Education delivery - External

Activity	Who	When (w/o)	How	Outcome
Education Updates – Monthly focused content for ETS participants.	<ul style="list-style-type: none"> All 	September 8 and thereafter monthly on the first Tuesday until February 2023.	Digital - PDF	ETS participants feel engaged, and informed, on the changes happening to the Forestry ETS and the wider ETS.
Showcase #1 – One hour 'showcase' of recent developments.	<ul style="list-style-type: none"> All 	Week commencing September 26	Digital - Webinar	ETS participants are aware of physical changes to how they participate in, and meet obligations, in the Forestry ETS.
Showcase #2 - One hour 'showcase' of recent developments	<ul style="list-style-type: none"> All 	Week commencing November 28	Digital - Webinar	ETS participants are aware of physical changes to how they participate in, and meet obligations, in the Forestry ETS.
Forestry ETS – Key content publication (compilation)	<ul style="list-style-type: none"> Company Representatives Forestry ETS Consultants Iwi/Māori 	18 October and thereafter two weekly until 8 December	Digital – PDF Print	'Expert' ETS participants feel supported by TUR to meet obligations and understand amendments to the ETS.
Expert Q&A	<ul style="list-style-type: none"> Company Representatives Forestry ETS Consultants Iwi/Māori 	25 October and thereafter two weekly until 13 December (Compliance; ER; Regulation Changes; Carbon Accounting)	Digital - Webinar	'Expert' ETS participants feel supported by TUR to meet obligations and understand amendments to the ETS.
ETS 101 Workshop	<ul style="list-style-type: none"> Forestry & Farming sector groups Rural Professional Iwi/Māori 	Week commencing 31 October	Digital - Wananga	Interested parties feel supported by TUR to understand the ETS generally and enabled to support their sector in engaging with the Forestry ETS.
ETS 2023 Changes webinar-expert	<ul style="list-style-type: none"> Company Representatives Forestry ETS Consultants Iwi/Māori 	Week commencing 7 November	Digital - Webinar	Interested parties feel enabled by TUR to support their clients and customers in understanding changes to the Forestry ETS.
ETS 2023 Changes webinar-casual	<ul style="list-style-type: none"> Forestry & Farming sector groups Rural Professional Iwi/Māori 	Week commencing 21 November	Digital - Webinar	Interested parties feel enabled by TUR to support their sector in understanding changes to the Forestry ETS.
Emissions Returns– What to do and how to do it?	<ul style="list-style-type: none"> Forestry & Farming sector groups Rural Professional Individuals <100ha Iwi/Māori 	Week commencing 12 December	Digital - Webinar	ETS participants understand ER process and are aware of their obligations.

Training delivery – External stakeholders

Activity	Who	When (w/o)	How	Outcome
Tupu-ake face-to-face system training course	<ul style="list-style-type: none"> Company Representatives Forestry ETS Consultants Who will be using Tupu-ake on a daily, or at least weekly basis. 	Mid – December TBA	Wellington-based, classroom training.	Skills and practice using Tupu-ake.
Tupu-ake short training videos	<ul style="list-style-type: none"> All 	From go-live.	Digital – channel TBA	ETS Consultants and Participants can learn how to use Tupu-ake.
In-app guidance	<ul style="list-style-type: none"> All 	From go-live.	Within the Tupu-ake application.	ETS Consultants and Participants can learn how to use Tupu-ake.

Consequences of change – *legislation change has an impact*

The Climate Change (Emissions Trading Reform) Amendment Act is the primary instrument driving changes to forestry in the ETS. As provisions in that Act go live, they become operational in the Climate Change Response Act 2002, and in the ETS.

What?

- A new carbon accounting methodology called averaging accounting
- A new Permanent Post-1989 forest activity
- The dis-establishment of the current permanent forest option (the Permanent Forest Sink Initiative)
- A new exemption from emissions liabilities for forests impacted by a temporary adverse event
- Extensive operational improvements to other forestry parts of the ETS
- A new penalty regime
- New price control measures

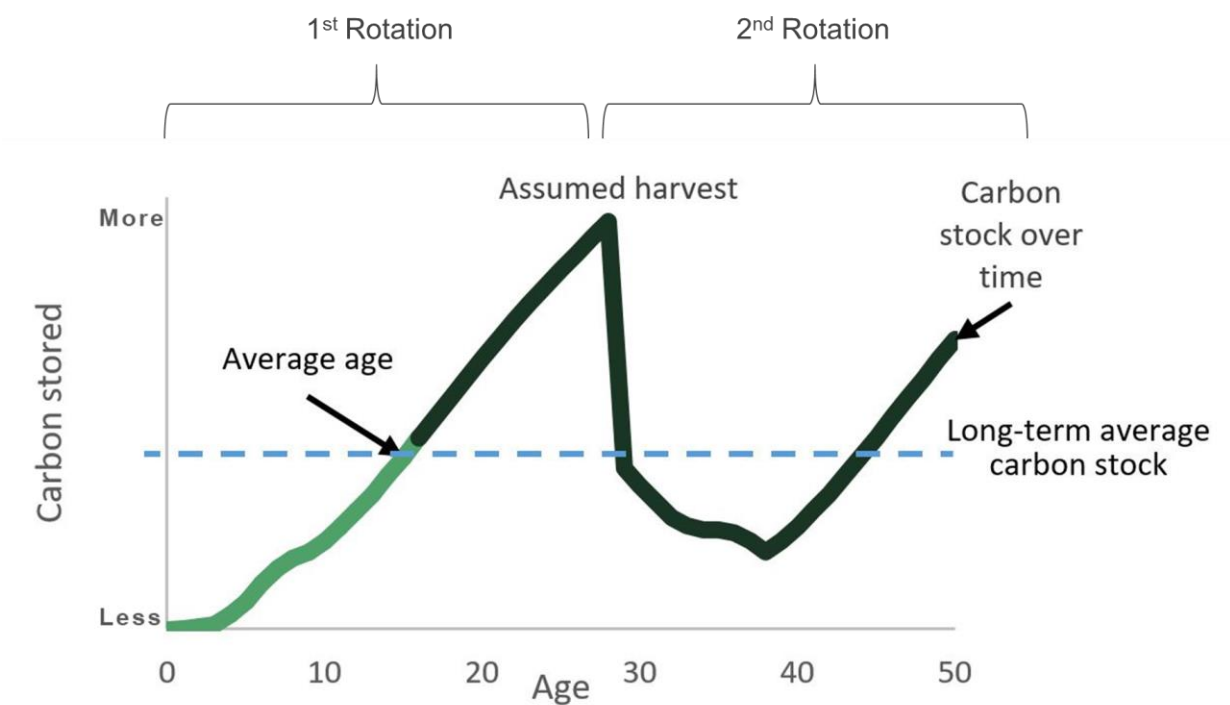
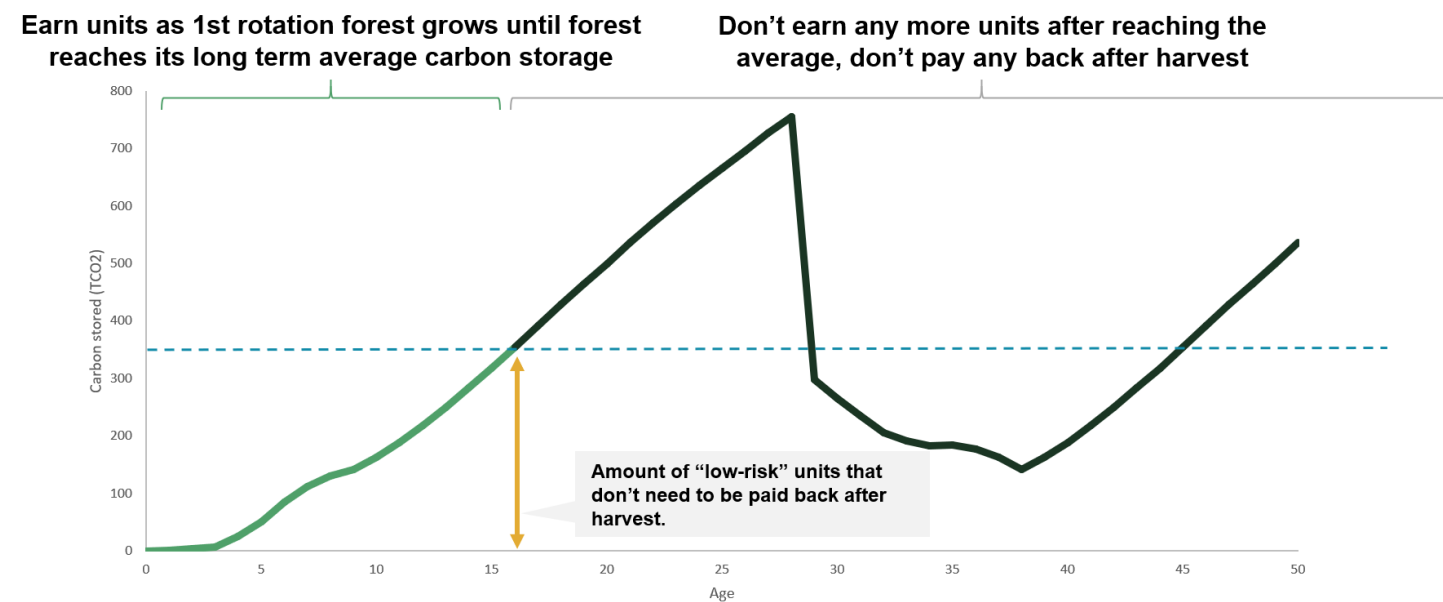
When?

- 23 June 2020 – some operational changes take effect
- 1 January 2021 – additional operational changes and penalties take effect
- 1 January 2023 – major forestry changes take effect (averaging accounting, permanent forests, temporary adverse events introduced).
- 1 January 2024 – PFSI is dis-established



Averaging accounting

- Units will be earned up to the forest's average carbon storage
- Forest owners get to keep more units, as they won't need to pay back units so long as the forest is replanted
- Will make the ETS for forestry simpler for farmers

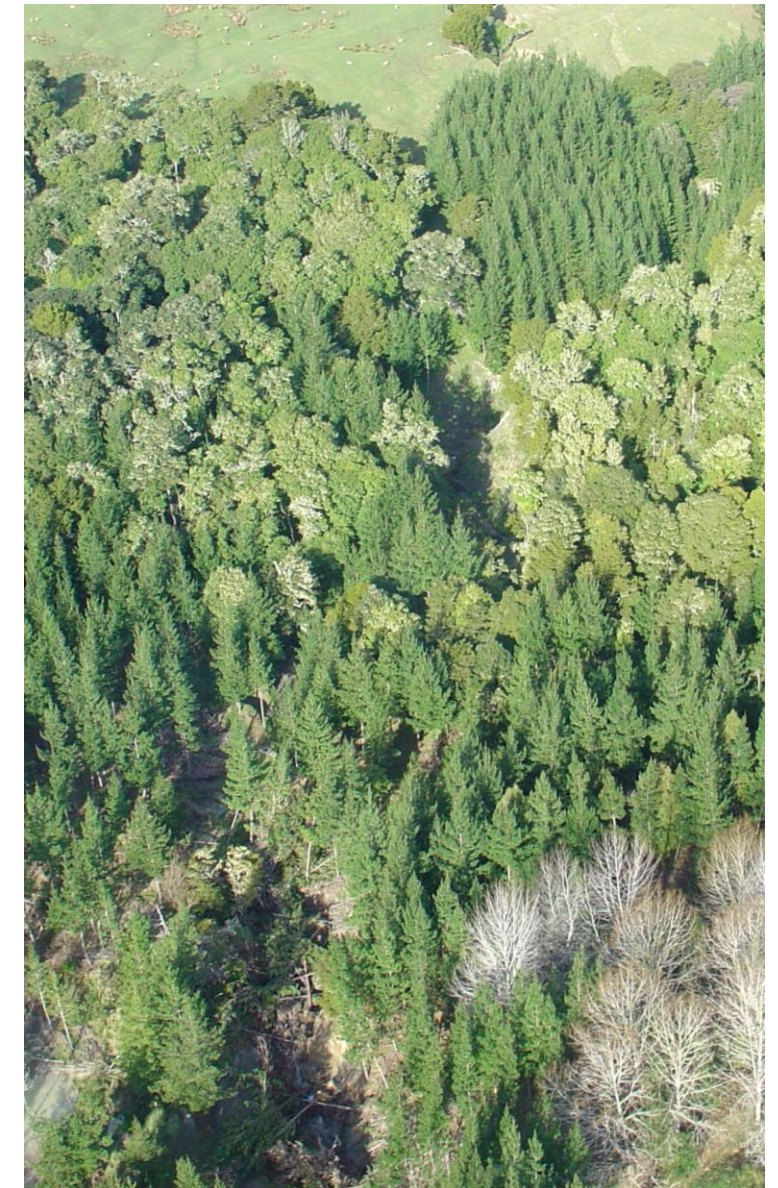


Average age

Average age by forest type	Carbon units (per ha)
▪ Radiata pine: age 16	➤ 396
▪ Douglas fir: age 26	➤ 436
▪ Exotic softwoods: age 22	➤ 283
▪ Exotic hardwoods: age 12	➤ 320
▪ Indigenous: age 23	➤ 193.9

Different forestry models

- Monoculture
- Mixed species



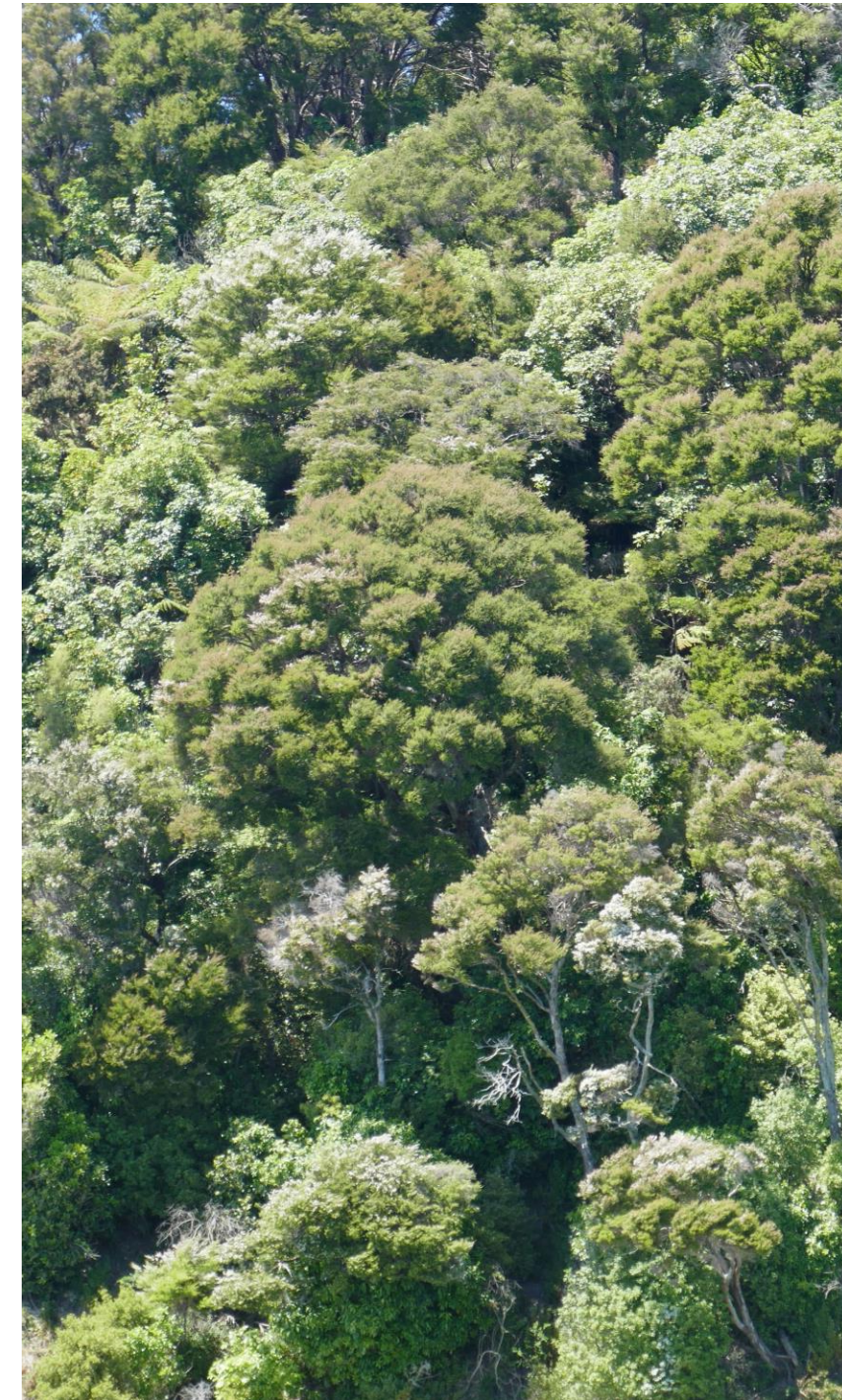
Averaging accounting example

- A first rotation radiata pine forest in the Auckland region would earn carbon for 16 years
- Using the default carbon tables the forest would earn a total of **396 units** (per ha) over the 16 years. After 16 years you can manage your forest however you like (e.g. change tree species)



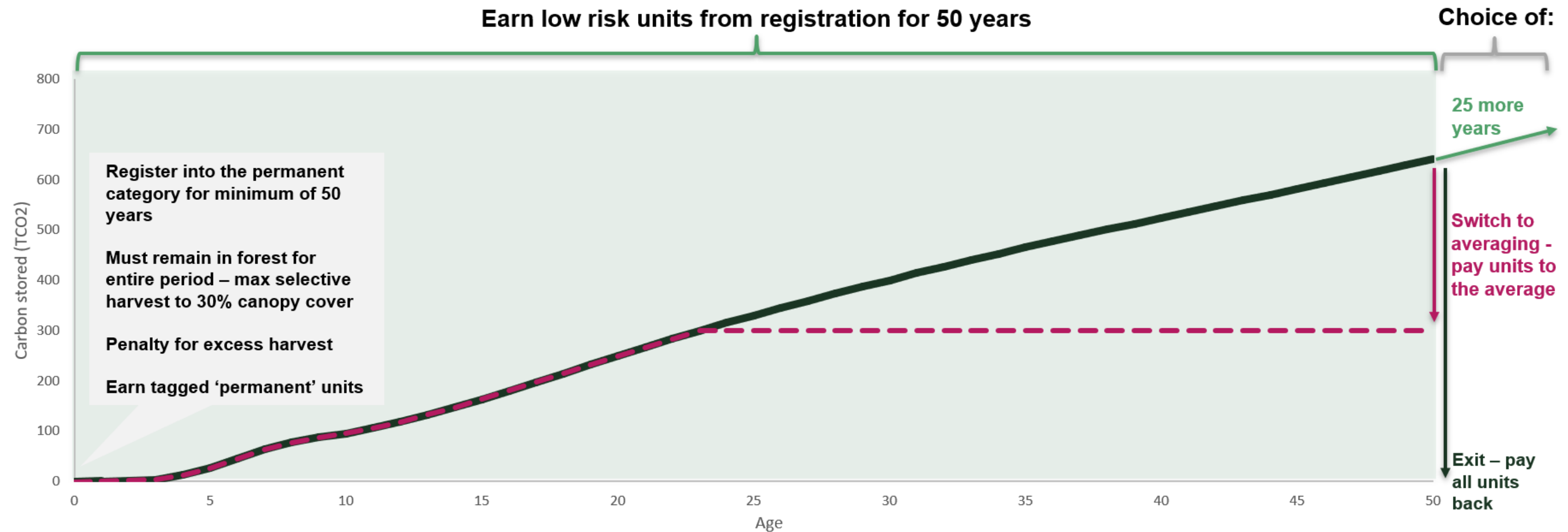
Timeline

- Averaging will be available from 1 January 2023
- If you registered before 2019 you must continue to use stock-change accounting
- All standard post-1989 forests registered from 1 January 2023 will use averaging
- Forests registered between 1 January 2019 and 31 December 2022 can opt in



New permanent forest category

- Permanent Post-1989 category will be available from 1 January 2023
- Forests already registered in the ETS can opt-in to the permanent category at any time



Permanent forest activity in the ETS

- A new activity for permanent post-1989 forests on 1 January 2023.
- minimum registration period of 50 years. Within this time some limited harvesting but must maintain 30% canopy cover over each hectare of forest.
- This means that permanent forestry can include
 - i. non-harvested native forests
 - ii. forests where selective harvest occurs on a continuous canopy model,
 - iii. space planted poplar willows (e.g. for erosion control).
- Permanent post-1989 forests will earn units on the stock change approach.
 - i. default carbon tables if the participant has less than 100 hectares of forest registered in the ETS in total,
 - ii. FMA if they have 100 hectares or more of total forest registered in total.
- Work is underway to update the carbon tables, which could include an extension of the maximum age.
- Permanent forests will be able to access temporary adverse events cover

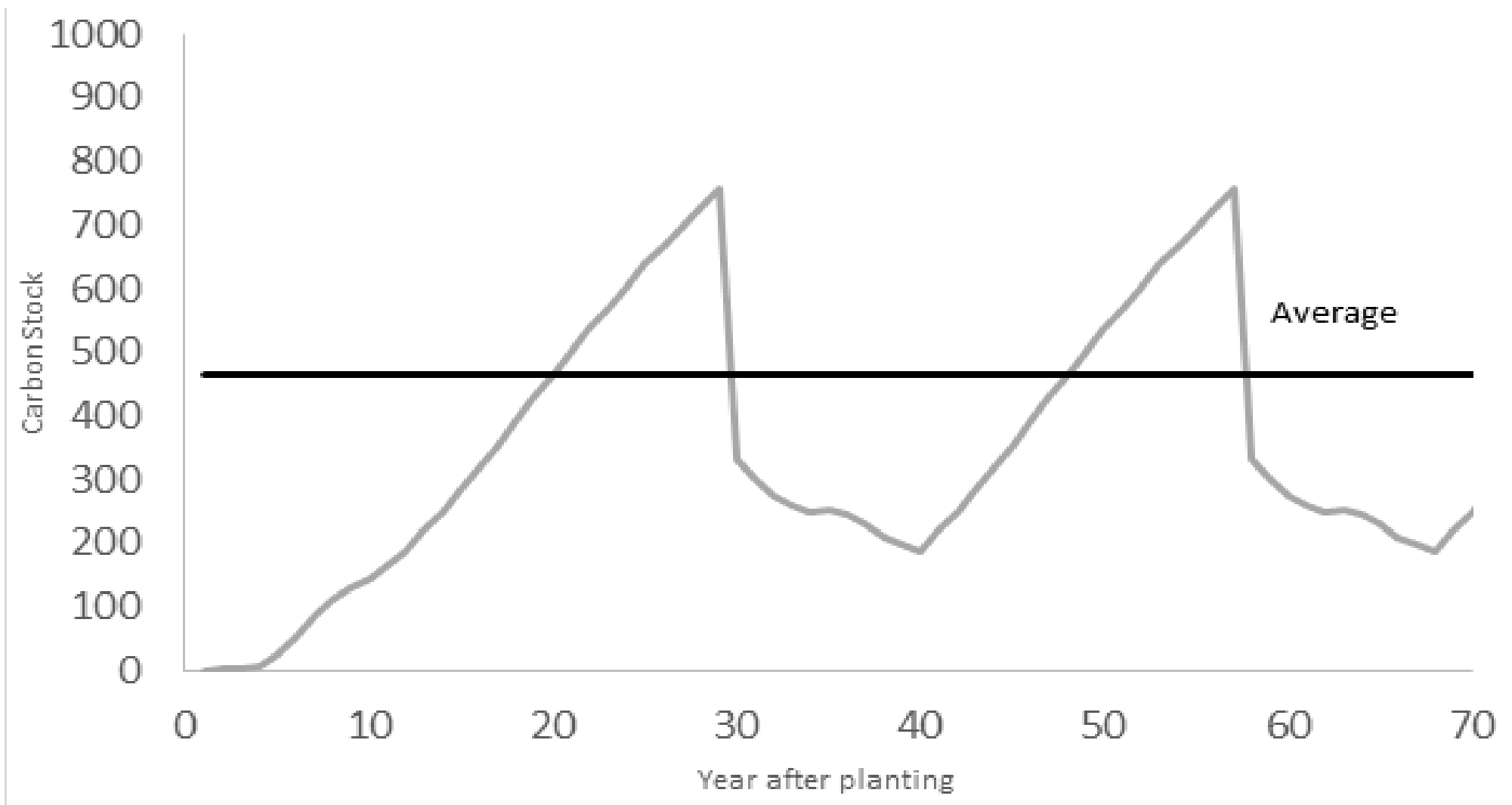
What happens after 50 years?

- At the end of the 50 years, the participant will have the choice between:
 - i. signing back up to the permanent activity for another 25-year period and continuing to earn units;
 - ii. switching to the averaging accounting method and surrendering units down to the average for that forest type;
 - iii. leaving the ETS and surrendering all the units the land has received as a permanent forest. *
- If the participant signs up for another 25 years, they will get the same three options at the end of that 25 year period.

Who can register in the permanent forest activity?

- Anyone can register their post-1989 forest in the permanent activity from 1 January 2023.
- Participants that have a forest already registered using stock change can switch into the permanent activity at any point.
- Participants that have a forest registered in averaging can transfer from averaging to the permanent forest activity at any time. They will start earning units, and the 50-year period will start, from the date their forest transitions to this activity.

Scenarios for transitioning from averaging accounting to permanent



The diagram shows a forest's carbon stock on the stock change approach, as well as the average carbon stock of a forest. Whether a participant must surrender units when transitioning to permanent depends on the age of the forest when it transitions.

Overview of changes to penalty frameworks

Current 30\$ per unit excess emissions penalty will be replaced with:

1. Reporting penalty:

Lesser of size of error or corrected total emissions x NZU market price x assigned penalty band percentage

2. Surrender/repayment penalty:

3 x NZU market price cash penalty (absolute liability)

Behaviour category	Percentage of error in reporting	Penalty percentage with voluntary disclosure
Not taking reasonable care	20%	10%
Gross carelessness	40%	20%
Knowingly made	100%	100%
Underclaiming an allocation or entitlement, or over surrendering/repaying units	\$1000	\$1000

More detail: Publishing non-compliance

Table 1: Overview of Penalties and Publication

Enforcement tool	Penalty	Publishing level
Surrender/repayment penalty	3 times market price for missing units	Individual's name and offence
Reporting Penalty due to 'not taking reasonable care'	20% x Market Price x Lesser of (a) size of error or (b) corrected total emissions/removals/allocations	Aggregate level
Reporting Penalty due to 'gross carelessness'	40% x Market Price x Lesser of (a) size of error or (b) corrected total	Individual's name and offence
Reporting Penalty due to error 'knowingly made'	100% x Market Price x Lesser of (a) size of error or (b) corrected total	Individual's name and offence
Reporting Penalty resulting in Crown owing units or no liability	\$1000	Aggregate level

Timing of the new penalty regime applies:

If error was before 1 January 2021

Old penalty regime applies; including

- no opportunity to re-submit an emissions return in 20 working days for assessed returns;
- No repayment plans; an
- No publication of penalties

If error was after 1 January 2021

New penalty framework applies.

Straightforward except:

- where return submitted before 1 January 2021, but
- surrender due after January 2021 (e.g. assessment of historic deforestation);
- then new penalty for non-surrender applies.

Field Measurement Approach –

- The field measurement approach (FMA) uses information you collect about your forest to create participant-specific tables. You can then use these tables to calculate the carbon stock of your forest.
- You must use the FMA if you have 100 hectares or more of post-1989 forest land registered in the ETS at any time during a mandatory emissions return period. If you have less than 100 hectares of forest land registered in the ETS you cannot use the FMA. Instead, you need to use the look-up tables in the Climate Change (Forestry Sector) Regulations 2008 to assess your carbon stocks

Who can use the FMA from 2023?

- Currently, participants with over 100 hectares of land registered in the ETS must use the Field Measurement Approach to measure the growth of their own forest and use a specific carbon table to calculate the emissions and removals occurring over their forest land.
- From 1 January 2023, the same 100-hectare threshold applies, and it can be made up of forests from any accounting type. For example, a participant with 60 hectares of forest registered in averaging, and 60 hectares registered in the permanent activity, will have to use the FMA as their total registered area is over 100 hectares.
- If a participant from 2023 has more than one kind of forest registered in the scheme (e.g. ½ their registered forest is registered in the permanent activity, and ½ is registered in averaging) only one set of participant specific tables (PSTs – the lookup tables generated by the FMA) will be used for their whole registered forest.

How the FMA applies to new categories of forest in the ETS

- How does the FMA apply to forests using averaging accounting
- How does the FMA apply to forests in the permanent forest activity
- How does the FMA apply to forests which are affected by a temporary adverse event

Break – *See you in 10 minutes*

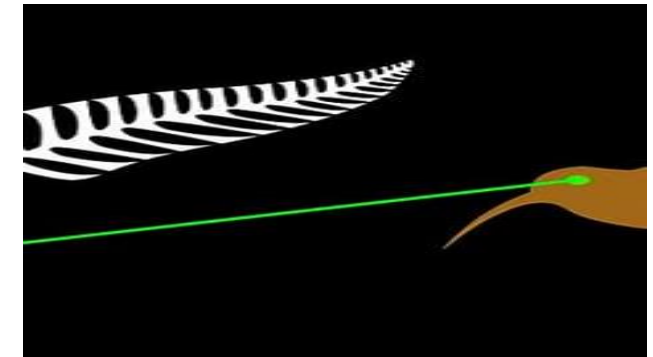
Temporary adverse event (TAE)

- A TAE exemption allows for participants to avoid surrendering units because of trees cleared from adverse events, so long as the forest is re-established.
- Intended to de-risk the ETS for post-1989 participants
- Will pause unit entitlements instead of requiring a unit surrender when a natural disaster clears forest
- Events such as fire, windthrow, or disease are eligible
- Clearing associated with the event (eg road building for site access) will be included
- Effective 1 Jan 2023



What will be covered by a Temporary Adverse Event exemption?

- Temporary adverse events will be able to be accessed by all post-1989 participants.
- In order for clearing to qualify as a temporary adverse event, the clearing must be:
 - i. at least 1 contiguous hectare in size, and
 - ii. the clearing must be due to a natural event



Who can apply for the TAE exemption?

- All post-1989 participants in the ETS. This includes existing participants, forests registered in the permanent scheme, averaging, and forests in the middle of a post-1989 offsetting process.
- Permanent forests only allow clearing for health and safety and site access purposes will be allowed in response to an event in a permanent forest. The scope of clearing is narrower than under averaging accounting to remove any incentive for participants to opportunistically clear permanent forests after a temporary adverse event occurs.



Input returns

- A new 'input return' option for calculating emissions and removals?
- Why are we providing an input return option?
- What costs will you incur as a participant if you use the input return option?
- What is the deadlines do I need to be aware of?

Tupu-Ake demonstration

The screenshot shows a web interface for the Tupu-Ake system. At the top right, there is a search bar with a magnifying glass icon and the text "Search...". To its right is a user profile icon and the name "Tiana Thompson". Below this is a dark green navigation bar with the words "Home" and "Apply" in white. The main content area has a heading "Welcome Tiana Thompson" and a paragraph: "This is your Tupu-ake user homepage. From here, you'll be able to create an account for a party, view your account and party information, see your applications, and ask for help." Below this are two white boxes with green headers. The first box is titled "Create an account for your party" and contains the text: "You'll need to do this before you can register your forest in the Emissions Trading Scheme or make any transactions." The second box is titled "Knowledge and support" and contains the text: "Click here for more information about Tupu-ake and the Emissions Trading Scheme, or to ask for help." Below these boxes is a paragraph: "If your party details don't appear below, you can ask for them to be added back by following these steps: Click the 'Knowledge and support' button here on your user homepage, and then 'Contact Te Uru Rakau'. When you're asked what your enquiry is about, select 'Other' from the drop-down list. Then tell us as much as you can about the missing party details so we can add them back." At the bottom of the main content area, there is a navigation bar with the words "Parties", "Services" (which is underlined), and "Draft Services". Below this navigation bar is a section titled "All of the service requests you've completed."

Requesting Services in Tupu-ake

The screenshot displays the 'Services' modal in the Tupu-ake web application. The modal is titled 'Services' and contains the following sections:

- Account Koa**: Party ID P-000265, Party type Unincorporated body.
- Details**: Account Name Koa, Legal Name Koa, Registration Number Type, Overseas Registration Country, Registration Number 9876543210987, Party Status Draft.
- Service type**: Post-1989 forest land, Pre-1990 forest land, Other. Placeholder text: 'This is placeholder for service type'.
- Service request type**: Submit an emissions return, Apply to join or leave the ETS, Add, update or reconfigure forest land, Tell us about a change to ownership, rights, or leases, Measure the forest. Placeholder text: 'This is a placeholder for service request type'.
- Next**: A green button to proceed.

The background shows the 'Party details' page with a 'Submit enquiry' button and a table with columns for 'Status' and 'Date Opened'. The table contains one row with a status of 'Draft' and a date of '30/08/2022, 1:56 pm'. A 'View All' link is visible at the bottom right of the table.

User Friendly Features

The screenshot shows a web application interface for setting up a party. The top navigation bar includes 'Home' and 'Apply'. A 'Steps' sidebar on the left lists: 'Get started' (checked), 'Party structure' (checked), 'Party details' (selected), 'Contacts and roles', 'NZETR holding account', and 'Summary'. The main content area is titled 'Party details' and contains a 'Party' section with a 'Draft' status. Below this, there are two columns: 'Service ID' (00001235) and 'Service type' (Create party account). A 'Party details' section is expanded, showing a warning icon and text: 'The full legal name needs to match the name on the NZ Emissions Trading Register holding account and the relevant land titles or registered forest rights/leases.' Below this are three input fields: '* Full legal name' (placeholder: 'Enter full legal name here'), '* Party email address' (placeholder: 'Enter email address here'), and 'Business registration number (optional)' (placeholder: 'Enter the number here'). A 'Māori interest(s)' field is also present. Annotations include a green box labeled 'In text guidance' with an arrow pointing to the warning text, and another green box labeled 'Tool tips' with arrows pointing to the information icons next to the 'Business registration number' and 'Māori interest(s)' fields.

User Friendly Features

The screenshot displays a user interface for a web application. A central pop-up window titled "Services" is overlaid on a background page. The background page shows a navigation bar with "Home" and "Apply", and a user profile section for "Account Koa" with details like "Party ID P-000265" and "Party type Unincorporated body". Below this are tabs for "Details", "Contacts", and "Representative Contacts". A table shows "Status" (Draft) and "Date Opened" (30/08/2022, 1:56 pm). A "Next" button is visible at the bottom of the pop-up.

Services

Submit an Emissions Return

Submitting an incorrect emissions return can result in significant penalties and infringement fees. For more information, visit our website for further guidance or seek professional advice.

Before you begin, consider these questions:

- Would you prefer to let our system calculate the information for your emissions return instead of calculating it yourself?
 - If so, cancel this application and choose the relevant option from the 'Services' menu.
- Have you harvested or deforested any land?
 - Make sure you account for any harvesting in your emissions return.
 - Make sure you've removed any deforested land before you start this emissions return. You can do this via the 'Services' menu.
- Do you have any eligible carbon accounting areas you'd like to change to the averaging accounting method?
 - If so, you must apply to do this via the 'Services' menu before you submit this return.
- Have you already told us about any changes to forest ownership, rights or leases?
 - This may apply to you if there have been any changes to the legal ownership of the forest or trustees.
- Are you awaiting the results of any reviews that might affect your emissions return?
 - You can submit a return while a review is underway, but if the submission deadline is still a

Next

Guidance pop-ups

Concluding remarks

Questions?

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