

# NZETS – IMPORTANT DATES FOR FOREST OWNERS

The New Zealand Emissions Trading Scheme (“NZETS”) is now in force and there are important deadlines nearing for landowners who own pre-1990 forest land, being:

- **30 September 2011 to apply for an exemption from the NZETS if you own less than 50 hectares in total and;**
- **30 November 2011 to apply for ‘free’ allocation of carbon credits.**

## Free Allocation

If you own pre-1990 exotic forest you will automatically be a participant in the NZETS and you cannot opt out (unless you are exempt). However, you won’t earn carbon credits for an increase in carbon stocks, but you will incur significant costs if you deforest more than two hectares of land and do not replant. The cost incurred depends on the species, age and area of forest you cut down.

For example, if you deforested 20 hectares of pre-1990 pine forest aged 20 years, you may have to pay \$242,500.

However, you can get a one-off free allocation of carbon credits to partly compensate you, if you apply for them. You can sell these carbon credits at any time or you can use them to offset the payment you must make if you deforest your land in the future.

The number of credits you get depends on the number of hectares you own and when you bought the pre-1990 exotic forest land. For example, if you bought your land in 1999 and you have 60 hectares of pre-1990 exotic forest land, you could receive 3600 carbon credits. At today’s prices, they would be worth \$90,000. You get less carbon credits if you bought the pre-1990 exotic forest land after 1 November 2002.

As you can see, the free allocation of carbon credits won’t fully compensate you for the charge if you deforest pre-1990 exotic forest land, but it will help.

Therefore, if you own pre-1990 forest land you should apply for a free allocation of carbon credits. If you don’t apply, you don’t get them.

You must apply by 30 November 2011.

## Exemption

If you own less than 50 hectares in total of pre-1990 exotic forest land, you may be eligible for an exemption from the NZETS if you do not want to be a participant. Please note that if you own multiple forest areas, or own forest land as a shareholder of a body corporate, as a trustee, as a tenant in common or as a joint tenant, your forest areas will be aggregated in calculating this.

Ownership is important under the NZETS because it is the landowner that is assessed, rather than the land area. The ownership rules under the NZETS are complex and you should take advice on that issue, otherwise you may be included in the NZETS inadvertently. If you own pre-1990 exotic forest you should check how much you own in total. A number of smaller blocks totalling at least 50 hectares is enough to make you a participant.

You must apply for an exemption by 30 September 2011. You cannot apply for an exemption after this date. If you do not apply for the exemption, you will automatically become a participant in the NZETS.

There are a number of steps to take to complete either application. Sharp Tudhope Lawyers have experts who can help you with these applications and other aspects of the NZETS.

**If you have any questions, contact:**

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