

# Is my forest eligible for carbon credits?

Carbon eligibility is determined by land use characteristics as set out in the Emissions Trading Scheme (ETS) regulations. To be eligible land must be at least a hectare in size and have (or will have) tree crown cover:

- from forest species of more than 30 percent in each hectare
- with an average width of at least 30 metres.
- where the forest species can reach at least 5 metres in height at maturity.

**Pre-1990 land** is land that:

- was forest land on 31 December 1989, and
- remained forest land on 31 December 2007, and
- contained predominantly exotic forest species on 31 December 2007.

Note that land that was indigenous forest land on 31 December 1989, and remained so on 31 December 2007, is not pre-1990 forest land and is not subject to ETS obligations. Pre-1990 forest landowners can harvest and replant their forest without liability. If pre-1990 forest land (that is not exempt) is deforested, the landowner or a third party who had deforestation rights must:

- notify MPI of deforestation
- submit an emissions return, and pay units for deforestation.

Whereas **Post-1989 land** is land that:

- wasn't forest land on 31 December 1989
- was forest land on 31 December 1989, but was deforested between 1 January 1990 and 31 December 2007, or
- was pre-1990 forest land that was deforested on or after 1 January 2008, and any ETS liability has been paid.

From 1 January 2023 post 1989 land can earn carbon credits under one of three accounting regimes.

**Stock change** (provided registration was achieved prior to 1 January 2023), units are earned from the year of registration for the "commitment period" until the year of harvest. At harvest depending on the year of establishment a component of units is returned to Government to meet harvest liabilities. If the forest is replanted, the second rotation will begin earning units again after about eight years (depending on when the forest is replanted). This delay is because of the continuing loss of carbon from the decay in woody stump and root debris from the first rotation. Over time any difference between units earned and returned is referred to as "free carbon" which can be sold without being caught short in subsequent harvests.

**Permanent** (the land must remain in forest for at least 50 years), units are earned using stock change accounting. Clearing during the 50 year period is possible provided more than 30 percent tree crown cover remains in each hectare of forest. If clearing takes place units matching the level of clearing must be forfeited and if the clearing was within the harvester's control or was avoidable penalties may apply. At the end of the 50 year period an election is made between a further 25 years under the permanent regime, moving to averaging accounting or removing the land from the ETS by surrendering the net total of units earned.

**Averaging**, units are earned on the first rotation not subsequent rotations, from the year of forest registration until the forest reaches the amount of carbon it is expected to store in the long term. This is based on the average amount of carbon stored over many rotations. Each type of forest has its own average age: Radiata pine, age 16 years; Douglas-fir, age 26; exotic softwoods, age 22; exotic hardwoods, age 12 and indigenous forest, age 23. Once a forest reaches its average age it will stop earning units. No units are forfeited if harvest takes place in accordance with average age specification and the land is replanted.