

Carbon Farming Initiative

1. What types of project does the CFI allow?

Kyoto (afforestation, nitrous oxide and methane avoidance projects)

Non Kyoto (soil carbon, improved forest management, revegetation)

2. Can Kyoto and Non-Kyoto credits be sold on the International market as well as the National markets?

Yes, Kyoto credits can be sold in mandatory markets, Non – Kyoto credits can be sold in voluntary markets.

3. How long will the CFI credit projects for?

As long as those projects are considered additional (i.e. are not common practice). Emissions avoidance projects will be subject to the common practice test every 7 years; afforestation project every 15 years.

4. Do all projects have a 100 year permanence requirement?

No. Only biosequestration (afforestation and soil carbon) projects. Projects that avoid emissions (nitrous oxide and methane avoidance projects) have no permanence requirements.

5. What are the systematic steps required to register a CFI project?

Methodology Approval, Project Approval, Reporting and Verification, Crediting and Trading

6. Who will be buying the credits?

In Australia: One of the 500 companies covered under the Carbon Price Mechanism OR the Australian Government

Internationally: Potentially any company in a country with an Emissions Trading Scheme or Governments with a Kyoto target OR companies/individuals wishing to offset their emissions voluntarily.

7. What are the CFI programs integrity principles for?

These principles are there to ensure confidence in the commodity being created; to uphold the value of real abatement and to be consistent with International rules so credits can be more freely traded.

8. How many trading schemes are operational or proposed globally?

5 approved/operational – EU, NZ, Northeast US (RGGI), Tokyo Metro, Australia
7 proposed – Aust, California, India, Taiwan, South Korea, China, Japan

Forestry and Agriculture in the New Zealand Emissions Trading Scheme

1. How is forestry treated in the New Zealand ETS?

Post-1989 forest land – Owners can voluntarily opt in and generate credits (NZUs or AAUs). There is no obligation in the event of deforestation.

Pre-1990 forest land – Mandatorily in. Has deforestation obligations attached. Owners can receive a one-off allocation of NZUs to help offset the decrease in land value due to decreased land-use flexibility.

Old-growth indigenous forest that remains in forest is not subject to the rules of the ETS.

2. What is the Permanent Forest Sink Initiative?

The permanent forest sink initiative (PFSI) is relevant to post 1989 native forests. Participants commit to a covenant on the land and no harvesting takes place. In return they receive AAUs that can be traded nationally or internationally.

3. How is agriculture treated in the New Zealand ETS?

With some exceptions, participants for agriculture are meat and dairy processors, exporters of live animals, fertiliser importers and manufacturers, and egg producers.

Farmers and growers do not need to register and directly participate in the NZ ETS.

Compulsory reporting begins in 2012 but the requirement to surrender NZUs begins only in 2015. Voluntary reporting begins in 2011.

Agricultural participants will face an obligation to surrender NZUs for agricultural emissions.

4. Where can ETS participants buy NZUs to ensure compliance with the scheme?

NZUs can be bought from another ETS participant or alternatively AAUs can be purchased from International markets (subject to some restrictions). There is a fixed price period until 2012 which allows participants to pay \$25 for every unit they are liable to surrender rather than purchase a credit.

5. Where can I sell my NZUs?

NZUs can be sold through direct bilateral agreements with buyers, through a broker or through an exchange. Some NZUs can also be converted into AAUs and sold Internationally.