

Kyoto Protocol and Forest Industries Framework Agreement

Since the NZ Government ratified the Kyoto Protocol (KP) it has been developing its domestic policies that will enable it to meet the greenhouse gas emission targets it has committed to. As part of “balancing the books” the Government has stated that it has the rights to all the CO₂ that is sequestered in post-1989 “Kyoto” forests. The Government’s position is that they created the value of the sink credits as the KP is a government to government agreement.

The NZ Forest Owners Association, Forest Industries Council and Farm Forestry Association have taken the position that there is more to be gained from working with the Government to develop a support package for the forest industry than to contest the Government’s ownership claim via an uncertain political or court process. The Government has now acknowledged that it has a vested interest in a healthy and profitable forest growing sector to protect its carbon sinks. A package of cash and non-cash support is expected to be included in the 2004 budget. The Government has stated that access to this support is conditional on the signing of a Forest Industries Framework Agreement (FIFA) by the Forest Industry that acknowledges the reasons for and objectives of this “special” funding.

Many “Kyoto” forest owners view the Government’s claim to the forest credits as the theft of a private property right. Nor are they convinced that the FIFA adequately compensates them for their stolen carbon credits and wish to receive compensation either in rights to pool and sell carbon credits, or in cash. This group has formed the Kyoto Forest Owners Association (KFOA). Their support for FIFA would be conditional on an improved support package and the complete indemnity from Government imposed carbon taxes associated with both harvesting and deforestation. The tax indemnity would need to extend beyond 2012 to any future Commitment Period.

Olsens supports the objectives of the KFOA and has joined this group on behalf of clients that own “Kyoto” forests.

The NZFOA is committed to an extensive consultation to establish whether it has member support to sign-off the FIFA. There is significant crossover between NZFOA and KFOA membership. It follows that KFOA members must be satisfied that the FIFA fairly compensates them and protects them from a future carbon tax exposure on change of land use.

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