

Credits and debits on the (bottom) line

The recent announcement that the Emissions Trading Scheme (ETS) will be reviewed will at least delay investment in the forestry sector, and may even kill some multimillion dollar investments in afforestation.

Many people in the farming sector oppose the ETS. Unbalanced interviews about climate change with Federated Farmers' representatives on National Radio's "rural report" encourage farmers to believe that anthropogenic climate change is a con and that we need do nothing about it. That was the prevailing belief that I encountered at the Canterbury A & P show last week. The School of Forestry shared a stall with Scion and the School of Biological Sciences, and we displayed a calculator that indicated roughly how many hectares of radiata pine would be required to offset thirty years of methane emissions from any given number of farm stock units. Forestry can help farmers comply with the ETS, and in many cases forests can be established where pasture is unproductive and where erosion would be reduced by forest cover. Many farmers claimed that anthropogenic climate change was a tissue of lies, and even if it wasn't, they said, they didn't see why they should pay for their methane emissions.

Several people commented that ACT, a minor coalition partner in our new National-led government, would ensure that the ETS was scrapped. A formal agreement between ACT and National says that a select committee on climate change will: "Hear competing views on the scientific aspects of climate change from internationally respected sources and assess the quality and impartiality of official advice."¹

Rodney Hide, leader of the ACT party, has said: "Al Gore is a phoney and a fraud on this issue and the emissions trading scheme is a worldwide scam and a swindle."²

Mr Hide's mind is clearly made up, and his agreement with National implies that public servants are providing biased advice. When he says that the emissions trading scheme is a scam and a swindle, is he accusing officials of promoting a scam? Whom will Mr Hide select as "internationally respected sources" when he obviously wants a particular outcome?

Our new Government will at least delay implementing the ETS for other sectors, and this will dampen demand for credits and reduce incentives for afforestation. Lower planting today means a big imbalance in our carbon accounts during the 2020s when extensive forests planted during the 1990s are harvested, and delays in afforestation will worsen the imbalance. On the other hand, if albedo of the landscape is counted in future climate change mitigation agreements, maybe our climate change accounts won't be quite as

¹ http://www.national.org.nz/files/agreements/National-Act_Agreement.pdf

² NZPA, Tuesday September 2 2008, reported in the National Business Review

damaged by these delays as we think (see the opinion piece by South and Leban on page 46 of this issue).

Scrapping the ETS entirely would be a double edged sword for foresters. Those with pre-1990 forest would regain land use flexibility, and resume conversions to farms and suburban development that in pre-ETS days often significantly contributed to their profits. Owners of post-1989 forests, however, would see a marked reduction in forest profitability. According to Dave Evison (page 27), plantation forestry without carbon accounting is only marginally more profitable than sheep and beef farming and very much less profitable than dairying, viticulture and arable cropping. The ETS enabled post-1989 forest owners to gain income from one of the many free services that forests provide to society, and would have significantly increased plantation profitability.

Declining forest profitability over recent years has been attributed to an over-valued NZ dollar and high shipping costs, but as was pointed out at a recent Industry Leaders' Forum in Rotorua, just as our dollar finally dropped in value and shipping costs lowered, markets significantly weakened when the world's economy suffered its worst downturn since the great depression, and so profitability remains low.

Where do we go from here? We should vigorously promote wider values of forestry so that no matter what happens to the ETS, the public knows what it is losing if net forested area declines further. Plantation forests provide erosion control, water quality, recreational services, habitats for endangered native species, shelter, export diversity, carbon storage and a domestic wood supply that means we import only a small volume of timber from unsustainably harvested natural forests. They also offer potential sources of biofuel and reduce our dependence on cement, steel, aluminium, and other environmentally unfriendly building materials.

In addition, we should redouble our efforts to develop species/genotype selections and silvicultural systems that increase profits. Geoff Chavasse, a past President of the NZ Institute of Forestry, once said to me that a long-term endeavour such as forestry required direct government intervention to be financially sustainable. Community support can be justified by the wide range of otherwise free services that forests provide. Despite the fact that New Zealand's forest industry was created by a massive state intervention in our economy, I was skeptical because it seemed that short rotations and intensive efforts to improve appearance grades would ensure that private investment in our forest plantations paid handsomely. We have always been smart, with clever investment in innovative forest research and generally efficient management of our plantation businesses, but I sometimes wonder, in the face of our current financial climate, whether maybe Geoff was right. It's up to us to prove him wrong.

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