

CARBON SOLUTIONS: *What new?*

Latest updates and info



KEEPING US UP-TO-DATE

Carbon Solutions has a very busy year ahead, with Mandatory Emissions Returns due in 2023 and MPI still having a huge backlog of applications causing long delays in processing times. We want you to be informed of some key requirements on the horizon.

The following items will be of importance to you, so please take your time to read through them and please let us know if you have any questions or want any clarification.

- Emissions Returns
- Filing your 2021 Voluntary Emissions Return (VER)
- Upcoming Mandatory Emissions Return (MER)
- Transfer of Participation
- ADD CAA's & Remove Land
- How to avoid new penalties that can be imposed by MPI
- Carbon and Carbon Trading
- Insurance
- New legislation and carbon accounting
- Logging / Harvesting
- Forest Management – Planting, thinning, pruning



EMISSIONS RETURNS

An emissions return calculates the change in a forest's carbon stock during a certain period. This is based on how much carbon is stored in the forest at the start versus the end of the period. You need to submit an emissions return to know how many units you have earned (if your carbon has increased) or need to surrender (if your carbon has decreased).

Your account information must be up to date before a return can be filed. Updating your account can take some time, so please ensure that you let us know if you have any current or upcoming changes to the registered land, forest or registered account holders. Please take note of the Transfer of Participation section below.

2021 VER

There are 7 weeks left to file a Voluntary Emissions Return for the 2021 carbon accounting year. If you would like us to proceed with filing your VER, please follow the link below and complete our online form [here](#).

There is an area in the online form to let us know of any changes that have been made to the registered land, including harvesting or replanting. We need to know this to accurately calculate the carbon and MPI will audit returns.

Once this is completed we will contact you, complete and file your VER with MPI. Returns need to be submitted by 30 June 2022.

We will need to know if any changes have been made to the land registered including and harvesting or replanting.

The cost for filing a VER is \$525.00 + GST (this includes all MPI filing fees) for a standard VER.

Extra charges may apply if changes are required or MPI initiate an audit.

HOW TO AVOID PENALTIES

As of Jan 1st 2021, MPI is enforcing penalties for participants in the emissions trading scheme. Reasons for Penalties being;

- Not notifying MPI on changes to the account holders within the required 20 day time period,
- Filing a late or inaccurate return,
- Failing to repay units/liabilities on time

Penalties will be determined by the number of units involved, size of the error, level of culpability, current carbon price and whether mistakes are brought to the attention of MPI voluntarily.

See more info here www.mpi.govt.nz/forestry/forestry-in-the-emissions-trading-scheme/penalties-and-the-emissions-trading-scheme/

How do we help? With our experience, we use peer reviews as well as send out maps for you to check over before we file. Though we are stringent on checking over all paperwork we file, it is still very important that you as a client update us as soon as possible of any changes that may affect your holding account or registered forest land.

MANDATORY EMISSIONS RETURN

You will need to submit an emissions return at least once every emissions return period (usually 5 years). The current emissions return period runs from January 2018 to December 2022.

If you have post-1989 forest land registered in the ETS, you must complete an emissions return:

- within 6 months of the end of a mandatory emissions return period (the 2018 to 2022 period will end on 31 December 2022)
- when removing forest from the ETS (for example, through deforestation)
- granting a forestry lease or right
- selling forest to another party.

We will start processing these returns in early 2023. We will be sending out some information near the end of this year to ask clients about any changes to registered land so that we have plenty of time to sort through any issues that may arise.



TRANSFER OF PARTICIPATION

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Transfers are documents and updates required by MPI when certain changes happen concerning your Emissions trading scheme registration. Often lawyers and advisors are unaware of the requirement to notify when any transfer occurs, and participants can be non-compliant without knowing if we are not made aware of the transfer.

Types of transactions that result in a change of ETS participation include (but are not limited to):

- Sale of land, or change of landholder/title
- Succession (such as inheritance);
- Any single transaction that changes more than 40% of the members of an unincorporated body (e.g. changing trustees of a trust)
- Granting, expiration, transfer or termination of a registered forestry lease or right

Two processes needed to happen with a transfer:

- Updating MPI with the correct paperwork and an MER for the date of transfer
- Update EPA on account holder changes, sometimes a new holding account is required to be opened.

If you think your registration requires a transfer of participation, please let us know and we can start you process for you. The price of filing a Transfer depends on the complexity of the transfer, which can delay the process, so plenty of notice is recommended. MPI rules state a transfer must be filed within 20 working days of the change. Note that transfers can take time to process, and your VER or MER can not be filed until transfers are complete and your account/ registration is correct.

ADD CAA & REMOVE LAND

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We are regularly adding land to client registered areas as a result of new establishment, and registering new Participants in the ETS. We also remove land as appropriate or required. Note that while we may be already aware of client forest areas due to our forest management activity, that is not always the case, and clients should regularly check their Land Status Report to ensure registered areas are correct and up to date.

Current Land Status Reports are available from our office on request.

CARBON

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Carbon is now a valuable commodity and carbon accounting is more critical than ever. NZUs are currently trading at around \$75 per unit in a revitalised market. This is more than a 100% increase from the same time last year. Units are traded on various platforms and between individual parties, and from last year are available by Government auction. Auctions are typically oversubscribed and in that event, result in a bounce in spot prices. Do you want to sell carbon? Or have any questions about buying or selling units? Please let us know and we can schedule a call with our knowledgeable Consultant.



INSURANCE

We recommend clients consider insurance for carbon stock in the event of a loss. There are underwriters that provide cover for tree value and carbon stock separately. However insurance options are limited. One major insurer has recently removed cover for carbon in consideration of risk/escalating NZU price, and what cover is available is more expensive.

If you wish to arrange cover, Email Hannah Armstrong at info@carbonsolutions.co.nz or phone 03 443 7764 to set up a time and a consultant can help you with your options.



OTHER SERVICES

LOGGING/ HARVESTING

We provide professional logging management and marketing service for our clients and operate three full-time mechanised harvesting crews in Otago/Southland.

We are very interested in any harvesting opportunities and if you are contemplating any logging in the near future, we recommend planning well ahead.

Typically there is a lead-in time for planning and organising any logging job and we are now looking at jobs up to three years in advance of harvest.

We provide a no-obligation appraisal and estimate of liquidation value often well in advance of logging.

Note that we may make separate contact with you in any event if we identify potential logging work based on your forest/stand ages as recorded in our records.

It is critical that clients know their carbon position and obligations in advance of harvest, and we routinely assist with that by providing carbon analysis and modelling.

To arrange an inspection or discuss please contact our logging manager: James Love 027 271 3099, email: james@southernforests.co.nz

FOREST MANAGEMENT - Planting, thinning, pruning

For any assistance with forest management including new planting, thinning or pruning, forest valuations etc contact our forest manager: Josh Cairns 027 534 3866, email: josh@southernforests.co.nz

LEGISLATION IMPACT

Clients that are actively involved in managing their carbon portfolio will already be aware of imminent changes in legislation particularly the change to average accounting. The policy has been well documented on the MPI website and also in various bulletins and public announcements and media.

The carbon market typically follows policy or political announcements and settings, that is likely to continue.

For example announcement of the recent Emissions Reduction Plan caused a bounce in the market.

ETS reviews are required by legislation and changes will occur as a result.

For clarification of the current Carbon Stock Change Method v Average Accounting please contact us.

CONCLUSION

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We are currently in the final “commitment period” of the ETS which covers the five years from 1 January 2018 to 31 December 2022. Please make sure you let us know of any changes to your registered land well in advance of the MER being prepared.

Please also ensure that you ask us for advice about any activities that are likely to affect your carbon position well in advance to avoid any surprises when we process your returns. We can't stress enough how important it is that we know of any changes to your land or ownership structure.

For any information on the topics above, or any questions or concerns you have please contact us and we are happy to help

For more information please contact

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Or see our website www.southernforests.co.nz



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