

Forests damaged by Cyclone Gabrielle? This is what you can do

The Ministry of Primary Industries (MPI) has released an alert following the devastating effects of Cyclone Gabrielle and other severe weather events that have caused immense damage across the country, especially to forestry land in the Hawkes Bay and Tairāwhiti regions. This is a brief summary about what you can do if your forestry land has been damaged and you are a participant under the New Zealand Emissions Trading Scheme (ETS).

Where a participant has post-1989 forest land registered in the ETS, the temporary adverse events exemption allows participants to apply to 'pause' their participation in the ETS, and therefore their carbon accounting obligations, if the trees in their post-1989 forest land have been damaged by natural events such as Cyclone Gabrielle. If the application is accepted by the Environmental Protection Authority (EPA), the relevant post-1989 forest land will not earn, or be liable to surrender any New Zealand Units (NZUs) until the trees on such land regenerate to pre-event carbon stock levels. The exemption can only be applied for if the 'adverse event' has cleared at least one hectare of the forestry land, and each hectare of land (as a result of the event) ceases to have tree crown coverage of more than 30%.

Applying for the Exemption

To apply for the exemption, the participant must first submit their mandatory emissions return for the 2018-

2022 period, this includes any emissions returns related to moving to average accounting. In the application, the participant will need to provide:

- the participant's New Zealand Emissions Trading Register holding account details;
- details surrounding the adverse event, including the date that the event took place;
- a digital map of the damaged land;
- a completed emissions return calculating the changes in the amount of carbon in the forest up to the day before the event;
- the average amount of carbon per hectare in the damaged land before it was damaged; and
- details as to the impact on the carbon accounting areas from the adverse event.

For an application to be accepted, the EPA needs to be satisfied that the participant is likely to re-establish the forest and achieve the same level of pre-event carbon stock.

Other Protection Options

The effects of Cyclone Gabrielle, and other recent severe weather events have shown the importance of having suitable risk and damage provisions in sale and purchase agreements (SPAs) relating to forestry assets. It is customary to include provisions which provide for a price reduction should trees become damaged or rights to terminate the SPA if a substantial area of trees are destroyed.

For further protection, it may be advisable to obtain forest and/or carbon insurance. Forest insurance covers the cost of replacing and replanting trees that have been damaged or lost, while carbon insurance covers the cost of obtaining replacement NZUs in the event of carbon loss. Any forestry or carbon insurance policy wording should be considered in detail as some policies specifically exclude loss caused by rainfall,

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(Continued)

drought, flood, hail, snow, ice or landslip, or loss of ability to generate NZUs (where the temporary adverse exemption has been obtained).

Want to know more?

If you have any questions about, or require assistance applying for the ETS temporary adverse event suspension, please contact our specialist [Carbon Trading, Emissions Trading Scheme and Climate Change team](#).