



# The New Zealand Emissions Trading Scheme

## The Forestry Emission Unit Trust (FEUT)

### What is FEUT?

The Forestry Emission Unit Trust (FEUT) was established in April 2011 to manage New Zealand Units (NZUs) allocated to Crown Forest Licensed (CFL) land on behalf of future owners of land which may be transferred to iwi as part of Treaty of Waitangi settlements.

The FEUT has three primary functions:

- to apply for NZUs
- to hold NZUs on trust
- to transfer NZUs.

The FEUT is currently in the process of preparing applications associated with approximately 306,000 hectares of forest land.

### FEUT Trustees

The Minister for Climate Change Issues appointed the same people who are trustees to the Crown Forest Rental Trust (CFRT) to be trustees of the FEUT. The CFRT was set up to manage the leasing out of CFL land. In comparison, FEUT has been set up to manage the NZUs allocated to the future owners of CFL land. The Trustees are:

- Paul Morgan (Chairperson)
- Angela Foulkes
- Alan Haronga
- John Wilson
- Maanu Paul
- Guy Royal.

### Characteristic of FEUT Trustees

The Minister sees CFRT Trustees as having a number of attributes required to oversee the functions of the FEUT; namely they

- carry out similar functions in managing income from CFL land, and therefore have the capability, skills and experience

- can be established quickly, at little cost and have the ability to meet easily
- have knowledge of the forestry sector, the Treaty of Waitangi and climate change policy
- have a proven record to act independently and objectively and are able to represent the interests of future owners of the forest land under claim.

### Appointments and funding

The FEUT is funded through an annual Appropriation from Vote: Climate Change. The payments provided by the Crown are the only source of income available to support the activities of the FEUT.

### Crown Forest Licensed (CFL) land

Between 1990 and 1992, the Crown sold the majority of its exotic plantation state forests but retained land which was under claim through the Waitangi Tribunal. This land is known as CFL land.

### CFL land is pre-1990 forest land

CFL land is almost exclusively pre-1990 forest land. Under the New Zealand Emissions Trading Scheme (NZ ETS), pre-1990 forest land is land that:

- was in forest on 31 December 1989
- remained in forest, and was predominantly exotic species, in December 2007.

If an area of more than two hectares of pre-1990 forest land (that is not exempt) is deforested in any five-year period from 1 January 2008, it attracts a deforestation liability. As a result, the landowner becomes a mandatory participant in the NZ ETS, and must surrender NZUs if the land is not replanted in forest.

## Pre-1990 Forest Land Allocation Plan

The Pre-1990 Forest Land Allocation Plan allocates NZUs to owners of pre-1990 forest land, in recognition that the introduction of the NZ ETS and the prospect of a deforestation liability is likely to affect the value of their land. Applications for an allocation close on 30 November 2011. FEUT is required to apply to the Ministry of Agriculture and Forestry for an allocation of NZUs for all eligible pre-1990 CFL land on behalf of its future owners.

### Allocation rates for pre-1990 land

The Climate Change Response Act 2002 (CCRA) provides that the pre-1990 forestry allocation plan must offer a certain amount of allocations to landowners. The Act specifies the number of NZUs to be allocated per hectare for three different classes of eligible land, as set out below.

Changed Ownership dates	Total NZUs allocated/ ha	Explanation
Before 31 October 2002	60	Before the CCRA was legislated buyers of commercial forests had no ability to calculate in the deforestation liability.
After 1 November 2002	39	After the CCRA was legislated buyers of commercial forests should have had the deforestation liability included in the price of the forest.
CFL land not yet transferred as at 1 January 2008	18	Settlement negotiation should include the deforestation liability.

The NZUs will be transferred to landowners in two tranches. The first tranche is to be transferred before 31 December 2012, and the second tranche after 2012. For CFL land, the two tranches will be broken down into:

- 7 units before 2012
- 11 units after 2012

Under the current international rules for reporting forest emissions and removals, New Zealand faces a cost for deforestation of pre-1990 land. It is possible these rules may change in the future. The

Government has signalled it is possible part or all of the second tranche may be cancelled. This will only happen if the deforestation liability is reduced or removed, probably following a change in the international rules.

## FEUT functions

The FEUT is required to submit applications for allocation of NZUs for all eligible pre-1990 CFL land not transferred to iwi on the date the pre-1990 forest land allocation plan was issued (19 July 2010). To do this the FEUT must:

- **apply** for NZUs that are available for eligible pre-1990 CFL land by 30 November 2011. There are 47 Licensed Crown Forests covering an area of over 306,000 hectares
- **hold** NZUs that have been allocated by MAF for each of the CFL lands in the FEUT's New Zealand Emission Unit Register (NZEUR) Holding Account
- **distribute** the NZUs that correspond to the portion of the eligible pre-1990 CFL land that is to be transferred to the iwi as part of the Treaty settlement.

## Useful links

- **Forestry Emission Unit Trust**  
[www.feut.org.nz](http://www.feut.org.nz)
- **Climate Change Website**  
[www.climatechange.govt.nz](http://www.climatechange.govt.nz)
- **Ministry of Agriculture and Forestry – A guide to forestry in the NZ ETS**  
[www.maf.govt.nz/forestry/forestry-in-the-ets](http://www.maf.govt.nz/forestry/forestry-in-the-ets)
- **Climate Change Response Act 2002**  
[www.legislation.govt.nz](http://www.legislation.govt.nz)
- **Crown Forestry Rental Trust Website**  
[www.cfrrt.org.nz](http://www.cfrrt.org.nz)
- **Climate Change Regulations**  
[www.legislation.govt.nz/regulation/searchquick](http://www.legislation.govt.nz/regulation/searchquick)  
*Search: climate change*
- **Pre-1990 Forest Land Allocation Plan**  
[www.legislation.govt.nz/regulation/searchquick](http://www.legislation.govt.nz/regulation/searchquick)  
*Search: land allocation plan*

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