Carbon Forestry 2012

How the ETS can work for small forest owners

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The Business Opportunity

Time value of money – potentially high risk
Focus on safe carbon – low risk
What is a small forest owner?

10 hectares to 1,000’s hectares
Typically
  Single or narrow age class
  Private ownership
  Self equity funded

What is Safe Carbon?

Fundamental premise of carbon forestry
but
Safe Carbon is commonly misunderstood!
Not all Forests Created Equal!

What is Safe Carbon?

CO₂ sequestered (t/ha)

Liable carbon

Safe carbon
CO₂ sequestered (t/ha)

1995 2008 Age

No Safe Carbon

Credits earned

Credits liable

No credits

The Business Opportunity

Two examples
Forest Planted 2008

- Pinus radiata
- 50 hectares
- Gisborne region

Safe carbon of 11,000 NZUs per hectare
@ $5/NZU = $55,000

Forest planted 1995

No safe carbon, sell for cash flow but risky

or

Sell to fund new forest planting – sell safe carbon in advance
Example

**P radiata, Gisborne, 50 hectares, harvest 28 years**

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZUs Received</td>
<td>25,000</td>
<td>40,000</td>
</tr>
<tr>
<td>NZUs Liable</td>
<td>25,000</td>
<td>29,000</td>
</tr>
<tr>
<td>Safe Carbon</td>
<td>-</td>
<td>11,000</td>
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$$\text{@ $5 / NZU} = $55,000$$

Funds the planting of 50 hectares

Leveraging off the 1995 plantings to establish another 50 hectares

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Final Message

Still business opportunities for forest owners

But @ $5/NZU

It is only some existing forest owners that will take it up
Final Message

$5/NZU will not result in new planting investment

PF Olsen experience
2010 – 1,000 ha
2011 – 4,000 ha (NZ total 12,000 ha)
2012 – 5,500 ha
2013 – 2,000 ha

Tree stock orders
2011 – 9 million
2012 – 3 million

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ANY QUESTIONS

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