



Winter 2020

NEWSLETTER

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**Forest
Management**
GROUP

Introduction

FROM THE DIRECTORS

Welcome to the Winter edition of our newsletter.

The forestry sector in New Zealand has experienced a very volatile run in 2020, after several years of relative stability. COVID-19 impacted earlier on forestry than other industries. At the end of January the Chinese government extended their annual New Year holiday by a week, which seemed an extreme move at the time, but several months down the track it seems like a prudent decision. This significantly reduced demand and price for logs and lumber which was destined for China.

When New Zealand moved into preparedness in Level 3, harvesting and silviculture operations ceased for a period of 5 weeks. During this lockdown period Chinese customers became concerned about having enough supply which resulted in the largest increase in price we have seen since the 1993 price spike. This lift was nice to have but in hindsight was an overreaction. Supply from NZ and Europe has come back strong and the price lift was short-lived. Generally domestic processors currently have strong orders but there is uncertainty looking ahead at whether reduced demand will eventuate later in the year.

We are currently in the middle of a busy planting season. The FMG is planting approximately 4,000 hectares in 2020, which is a combination of replanting cutover and also new planting. The ETS Reform Bill passed in June. Among other things the Fixed Price Option will be increased from \$25 to \$35 per NZU. Auctioning is scheduled to begin in March 2021. There will be a \$20 floor price. These revisions provide more long-term confidence in the price of NZU's, which is likely to see continued strong interest in new planting for some time.

Craig McMiken
Director



Canterbury West Coast Wood Council

On the 5th March a meeting was held to gauge the interest of forest and wood processors in joining together to manage issues common to all. From this a committee of 8 was formed to represent all sectors of the industry.



This committee has met regularly since that date and formed the Canterbury West Coast Wood Council (CWCWC) and progressed to forming the entity as an incorporated society with the following purpose and objectives;

Purpose: To promote and coordinate the sustainable economic development of plantation forestry and the wood processing sector in Canterbury and the West Coast.

Objectives:

- Bring together members with a common interest in the forest and wood products industry
- Create an interface with central government, regional authorities and other wood councils

- Encourage supply security among the industry
- Actively promote the benefits of our sector to the community and stakeholders
- Promote and support training opportunities to ensure we have a skilled workforce
- Encourage social interaction among members and actively grow the membership base

The CWCWC covers the largest area of all 8 wood councils in New Zealand and is likely to have the greatest membership base gauging by the strong interest to date.

The strength of the CWCWC is in its wider industry representation.

A membership meeting is scheduled for 31st July with strong interest already being noted (maybe it's the free beer!!!!!!!!!!!!!!). If you are within the region and have not received an invite yet you are more than welcome to attend.

Contact **Bryan McCordindale** for more information at bmccorkindale@srs.co.nz

ETS Update

The ETS amendment bill was recently passed into law and makes a raft of changes to the ETS and how it operates. The following is a short summary of the main changes.

1. Any forests registered since 1st January 2019 has the option of registering for Forest Stock or Averaging up until the end of 2022.
2. A new Permanent forest option will come into effect from 1st January 2023.
3. The Government is providing Adverse Event cover – this effectively means that if you lose forest due to a natural event such as wind, snow or fire that wasn't started on purpose, you do not have to repay the carbon due to that loss. There will be more details to come on this but it will reduce the need to have carbon insurance.

The regulations for the bill will not come into effect until 1st January 2023, so the details as to how each of these changes specifically works will not be known for a while yet. Below is a summary of how it is expected they will work subject to the actual regulations.

Averaging – Once planted you can claim carbon for a certain number of years. Radiata for example you will likely get carbon for the first 17 years. From that point you get no more carbon. At age 28 you harvest – no credits have to be repaid at harvest but you have to replant the land back

into forest. In the 2nd rotation there is no more carbon claimed and it's a pure timber forest.

Permanent – Once planted you claim carbon every year as now. No clearfell is allowed for 50 years. At 50 years you can revert back to Averaging (repay some credits back) or continuing on as a Permanent forest.

As more details are released we will provide more details and also how this relates to existing and 2nd rotation of Post89 forests.



Carbon Pricing

The price cap for 2020 has been lifted to \$35. From 2021 there will be an auction system where the Crown auctions units to the market. The auction will have a price floor of \$20 and ceiling of \$50. If the price goes above \$50 extra units will be auctioned into the market until the price drops below \$50. This floor and ceiling prices increase every year by 2%. The market will need to buy any other units from the forestry supply market – expected to be 4 to 5 million units per annum and growing over time.

This could lead to a rise in carbon prices but as emissions reduce the demand for offsets should fall and as such it shouldn't be assumed the price will always go up. If the Tiwai smelter closure goes ahead the extra electricity coming onto the market in the next 3 to 5 years could lead to a number of coal plants closing, hence reducing demand for NZU's – exactly what the ETS is designed to achieve.

A cap has also been set on the volume of units that will be auctioned into the market. This

will fall over time to meet the objective of reducing emissions. As such in 5 to 10 years we will see an increasing gap and the carbon price rise further if emissions are not reduced. The higher price will push people to change behaviour.

Overall some very positive changes which makes it a lot simpler to understand and reduce the risk of having to repay carbon if your forest is lost to a natural event beyond your control.



Helicopter Harvesting

FML has been involved in a not-your-everyday-type of harvesting of Douglas fir near Arthurs Pass on public land, administered by the Department of Conservation above Bruce Stream, Bealey area. These trees were planted by the NZ Forest Service in the mid-1960' for what we are told was for erosion control reasons. They are now causing wilding tree spread and need to be removed.



A wilding pine or conifer like the Douglas fir is one that has grown from a seed from which has not been planted, but had been dropped from a cone or been blown by the wind where it lands, germinates and grows in a place it was not wanted.

There is no road access and due to this environmentally sensitive area, road construction is not an option. For this reason, the Ministry of Primary industries contracted

Southern Heli Lift (Darren and Lynda Davison) to harvest and remove trees by lifting them using the Iroquois Helicopter.

The operation consists of manual tree felling, trimming and cutting logs to specific length to optimise the max lift weight. The logs are then lifted, flown down and dropped on to the riverbed above power lines as you are not allowed to lift logs over the lines.

Logs are then carried down the dry stream bed, crossing the stream over a driftdeck

(temporary bridge) and dropped over a flood bank. Here are cut to the mill's length and loaded onto trucks for delivery to customers.

FML's role in this operation is harvesting consultation, management marketing and cartage.

Positive outcome is that over 90% of these logs are sold to and processed by Canterbury Sawmills, not to mention a revenue to offset cost of eradication of wilding exotic trees in our high country.



FROM THE BACKPAGE

Briefly

- **Brad Stebbings**, our Forest Manager based in Blenheim office who has been with us only for 18 months has left our company. We wish him good luck for the future.
- **Contractors certification:** Most of our logging contractors are certified, although there are still 6 crews working their way through the process. Hopefully they will all complete the certification soon as well as our silviculture crews.
- **Planting season** kicked off in Canterbury at the beginning of June with really good weather conditions. On the way we have stumbled across plenty of snow in Southland, freezing cold conditions in general but progressing well so far. It is our biggest planting season with a lot of planting funded through One Billion Tree (1BT) programme. Our next

season is almost fully booked, so if you are thinking about planting any areas of your property, make sure you do not delay getting in touch.



- **Field Days 2020** - the annual National Fielddays at Mystery Creek, near Hamilton were for the first time held online due to the effects of COVID-19 for 14 days, from Monday 13th July to Sunday 26th July.



**Forest
Management**
GROUP

FOREST MANAGEMENT
LTD

PO Box 3718, Christchurch 8140

Head Office
Ph: (03) 343 4101

TASMAN FOREST
MANAGEMENT

Marlborough
Ph: (03) 577 6815

Nelson
Ph: (03) 540 3177

FOREST MANAGEMENT
(NI) LTD

Napier
Ph: (06) 833 7529