

ETS a chance to increase farm income

Sandra Taylor

The management team at Mendip Hill are taking a glass-half-full approach to the Emissions Trading Scheme (ETS).

Rather than lament the introduction of legislation, they see the scheme as a chance to increase farm revenue.

At a Deer Industry New Zealand (DINZ) Focus Farm day on Mendip Hills, Greenco forestry consultant Clayton Wallwork said that while the ETS could represent a considerable cost to the sector, the good news was that farmers could take advantage of opportunities it presented.

He calculated the total carbon footprint for Mendip Hills as being 10,578tCO₂-e and as liabilities will begin in 2015 at 10% and increase by 1.3% until 2050, the annual cost to the property, based on a cost of \$20/unit of carbon, will be \$118,000.

Wallwork outlined several options for Mendip Hills. One was including the farm's 750ha of native bush in the scheme. To do this the owner, Bryden Black, would have to apply now and while he wouldn't get the credits - worth \$45,000 a year - until 2011, they would be backdated to 2008.

The second was to claim pre-1990 forest credits. The farm has an existing plantation covering 120ha. This is worth a one-off allocation of 23 units of carbon (NZU) with a value of \$54,000. A further allocation of 37 NZU/ha (\$88,000) will be made after 2012.

The third option was to plant additional forest, funded either by the credits gained from the other two options or from the Afforestation Grant Scheme (AGS).

As the name suggests this government scheme provides all the funding for planting the forests,

but Wallwork said it had been oversubscribed this year. When this happens the Government prioritises funding to vulnerable areas.

Under this scheme the Government provides the money to help plant the forest but takes all the carbon credits for the first 10 years.

If Mendip Hills were to pay for the establishment of a 100ha stand of Douglas Fir, it would cost around \$200,000. Add to this \$1500 in application fees; but the annual return from carbon would be \$36,000 over 40 years.

Bryden Black intends planting fast-growing eucalyptus which will be harvested and replanted in 25 years' time; he believes these trees will be a money spinner in terms of collecting carbon.

"We can actually start to make good money out of controlling gorse and broom," he says.

Wallwork said new plantings, combined with annual returns from native bush, would be enough to



■ Mendip farm manager Simon Lee.



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off-set Mendip Hills' liabilities until 2040 and any surplus carbon credits could either be sold or kept. He recommended keeping a proportion of the carbon credits to act as a buffer and a form of insurance to offset liabilities should any trees be harvested.

Plantations are managed as a timber crop and liabilities will be covered by harvest revenues. Black now has a policy of not pruning any trees on Mendip. The removal of branches reduces the quantity of carbon held in the plantation and, thanks to advances in timber processing technology, timber

processors no longer require trees to be pruned.

Wallwork said farmers wanting to cut down forests planted before 1990 and put the land to an alternative use would be subject to liabilities. The exception was forests covering less than 50ha but landholders needed to apply for an exemption.

Forests could be created by simply putting a fence around an area and letting it regenerate; however if farmers wanted to claim carbon credits in these blocks they needed to plant seed trees within the fenced area to increase the

quantity of carbon.

There are stands of native bush through several paddocks on Mendip Hills but Black said it would cost around \$13 a metre to fence off those areas on the hill blocks and he felt this would have an impact on the core farm activities.

"You have to ask yourself what you are farming - animals or bush."

Carbon returns from native bush are miserable compared to plantation trees so Black felt it would be better to leave the bush and concentrate on growing the eucalyptus to generate income from carbon.



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