

Millions more trees isn't the climate fix New Zealand thought

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Of all the solutions for a warming world, "plant more trees" seems pretty obvious.

But in New Zealand, which tested that premise by linking incentives for [forestry](#) development with its [emissions trading scheme](#), the results have been more controversial and less effective than climate advocates hoped.

Now, after four years of frenetic planting, a prominent government watchdog has joined international agencies, industry groups and environmental advocates in calling for a radical overhaul, one that threatens a reversal of fortunes for investors in the recent forestry boom.

"Pine production and permanent forestry are legitimate land uses," Parliamentary Commissioner for the Environment Simon Upton wrote in a report on [land-use change](#), published May 22nd in Wellington. "But afforestation should not be incentivized by treating it as a cheap way to offset fossil fuel emissions."

It is an aggressive challenge to one of the world's most prominent campaigns for afforestation. Ingka Group, the largest global Ikea franchisee and a major investor in New Zealand forestry, said in an email that Upton's advice is "significant, and we are closely reviewing the potential impacts," adding that its long-term commitments in the country are unchanged. Other forestry investors say the ongoing debates are sapping confidence in the market.

"While uncertainty remains, New Zealand is missing a significant opportunity to grow its forest estate," said Phil Taylor, managing director of New Zealand forestry at Port Blakely, which owns 35,000 hectares of mixed species plantations. "It needs to be sorted out."

Since 2019, the country has added 175,000 hectares (432,000 acres) of forests, almost all the fast-growing, carbon-sucking *Pinus radiata* pine, helping New Zealand make progress toward its 2050 net zero goal. But the new growth has subsumed the nation's farmland, the beef-and-sheep lobby says, undermining the meat-and-dairy industry. Increased waste

from forestry—the logs, leaves and branches known as "slash"—more than doubled the damage of the flooding caused by last year's Cyclone Gabrielle.

While those might be worthwhile trade-offs for significant long-term reductions in climate-warming CO₂, the current system doesn't really achieve that either, experts say.

Forests do absorb a lot of carbon dioxide, but their efficiency wanes over time. To achieve the same environmental effect over decades, "you're going to have to keep planting more and more forests," said John Saunders, a senior researcher at Lincoln University's agribusiness and economics research unit. "That isn't actually solving the problem."

The seeds of New Zealand's recent forestry boom were planted in 2019, when the country's emissions trading scheme required companies to use only domestic measures to compensate for CO₂. In practice, it prohibited companies from buying [carbon offsets](#) developed abroad to shrink their carbon footprint.

At the same time, the new rule amplified an existing, and unusual, feature of the policy. Companies doing business in New Zealand are allowed to offset 100% of their emissions with credits generated by domestic forest projects. Most countries limit the use of offsets to push more fundamental cuts to CO₂ emissions.

The combination made forestry more lucrative almost overnight—not only could trees be harvested for timber, they could also generate the carbon credits that are valuable to local companies. Investors, including Germany's Munich Re and Japan's Sumitomo Corp., bought land. Ingka Group has purchased 23 separate tracts for forestry, although it notes that it doesn't generate or sell carbon credits.

The land-grab created opportunities for New Zealand farmers as well, driving up the price of land. The 30-year net present value of land with production forestry and carbon credits is NZ\$21,300 per hectare, 144% more than the expected returns from sheep and beef, said Julian Ashby, chief insight officer at Beef + Lamb New Zealand, an industry group.

"The enormous additional returns from carbon means that foresters have been able to offer significantly more for land," Ashby said.

Since early 2021, the nation's foreign investment regulator has approved nearly 150 applications to buy more than 102,000 hectares of land for forestry, roughly two-thirds of which used to be farmland. The farm lobby has long been a vocal critic of the aggressive afforestation policy, calling it a threat to the beef, dairy, wool and sheepmeat that make up about 46% of the nation's annual exports.

"The government wanted more trees. The price of land went up so much and farmers couldn't compete," said Murray Hellewell, who raises sheep and beef on a 640-hectare farm on the South Island. One by one, his neighbors have sold to forestry companies, nearly surrounding Hellewell's farm with pines.

Forest owners, for their part, say the farmers' criticisms are short-sighted and that adverse policy changes could affect the NZ\$5 billion in annual forestry exports, also a key contributor to the country's GDP.

Investors need confidence in the emissions trading scheme, said Elizabeth Heeg, head of the New Zealand Forest Owners Association, and diminishing the role of forestry offsets wouldn't be good for the country's climate targets. "It makes no sense for the report to suggest that reducing production forestry is a positive way forward," she said in a statement.

The new government has said it is looking at revisions to the emissions trading scheme to restrict productive farmland being converted to forestry, though Climate Change Minister Simon Watts said in an email that limiting forestry credits is not on the table. "We do recognize the concerns over the scale and pace of rural land use change, and the need to balance productive land uses," he said.

Upton's report offered one solution that could meet the needs of at least some farmers and environmentalists. One problem with the current forestry credits is that they're used to offset CO₂ emissions, typically from fossil fuels, which linger in the atmosphere in perpetuity—which means the forest also has to live forever, against the odds of disease, fire, storm or human behavior.

But biogenic methane, the greenhouse gas emitted by livestock, has a greater warming effect but for a shorter period of time. Starting in 2030, farmers will have to pay for those emissions or find a way to offset them. Forestry, Upton says, could be a solution.

"For short-lived gases like methane, the goal is to reduce emissions to an acceptable flow rather than eliminate them altogether," he wrote. Using forests to offset methane emissions "is a more justifiable strategy than using it to offset fossil carbon dioxide."

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