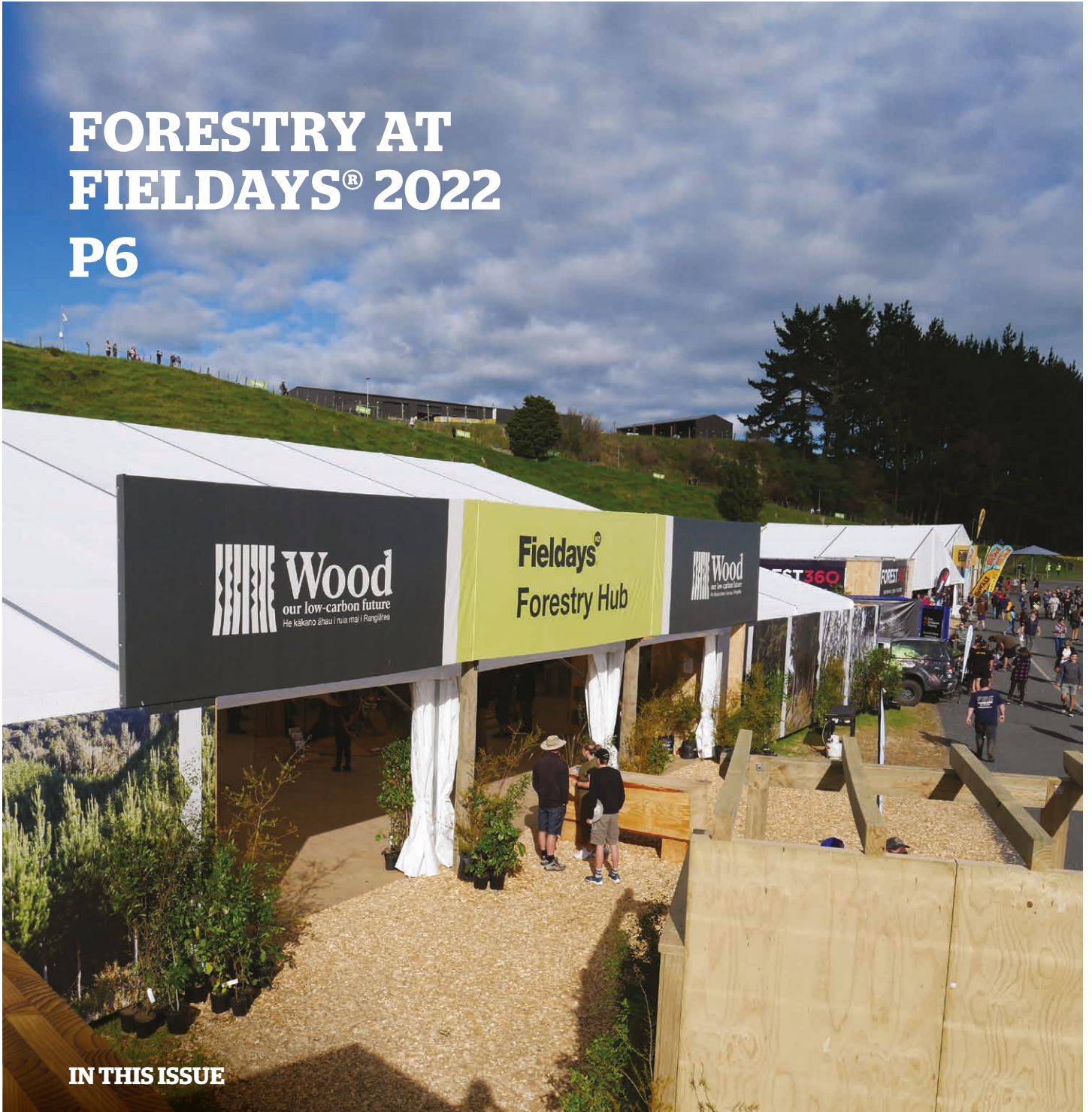


Bulletin

Christmas 2022

FORESTRY AT FIELDDAYS® 2022 P6



IN THIS ISSUE

P3

Industry Transformation under way



P5

Passing of industry pioneer



P9

International wood demand grows





Nurturing the Golden Goose

Everybody; farmers, ENGO's, fuel consumers, the construction sector, government, local authorities, paper and food packaging manufacturers, and a growing bio-materials industry, all want more trees.

Yet to be decided is who gets what share of the pie.

Global fibre projections are for an increase of somewhere between three and four times current demand by 2050. The NZFOA is a member of the International Council of Forest and Paper Associations (ICFPA), which commissioned a report on supply for presentation to the COP27 climate conference (see Dalberg report page 9).

The meeting in Egypt was mostly notable for its lack of progress. But it did allow the forest industry to deliver a message of looming fibre shortage.

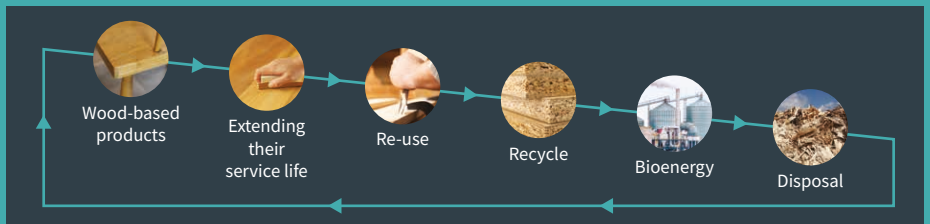
The burgeoning interest in vegetation, particularly fast-growing vegetation, is shared by the processors of primary products who have received a loud and clear message from their customers; and so the international explosion in bioenergy has arrived in New Zealand.

So too has the debate. In the EU, tensions between fibre users have led to the development of the cascading principle, which states that biomass should be used according to its highest economic and environmental added-value, headed by wood-based products and disposal at the bottom of the order.

On top of this we now layer carbon-driven demand for forests. It is sometimes said that New Zealand is the only country that has an emissions trading scheme that recognises forestry.

This is largely because there aren't many countries with all-sector ETSs. There are plenty though that encourage forestry for carbon in other ways, including our Tasman neighbour.

The EU has a target of three billion additional trees by 2030 and a new forest strategy that, amongst other things, encourages member states to present



carbon farming as an alternative business model for forest owners.

In both the EU and the US there has been a reaction from the wood processing sector concerned about carbon-only planting, and wanting carbon storage in wood products to be rewarded.

How much is too much carbon sequestration, and when will we know if we have arrived at that point?

The level of planting in response to the carbon price is being carefully monitored. Despite only being a year or two into increased planting rates, MfE officials, and the Climate Change Commissioner, Rod Carr, have already concluded we are planting too much.

In response to July advice from the Commission, on the 2023-27 period, the government released a consultation document which makes it clear the level of uncommitted units held by forest owners is seen as a threat to the goal of an increasing price of carbon and measures will be implemented to eliminate the estimated 49 million 'surplus' units.

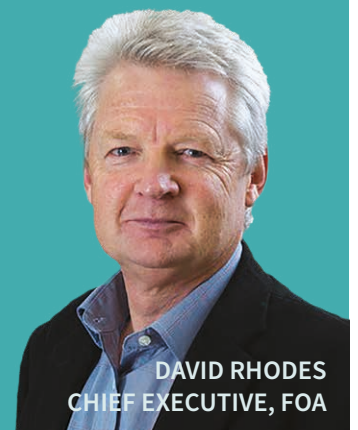
There are many reasons why it is premature to conclude the trend is now into too much planting. These include an impending deadline to close out the Special Forestry Test for overseas investment, compulsory averaging accounting for future forestry planting, overdue controls on permanent forestry at the national and local authority level, and many, many challenges with a native forest equation.

The Climate Change Commission projections are recommendations not policy. They followed the Productivity Commission's 2018 proposals, which relied much more heavily on forest offsetting.

It is vital for the government itself to articulate a clear climate change plan and vision for what it is seeking to achieve with forest planting, rather than its policies appearing to have forest sequestration a leftover from other emissions reduction plans.

Greater understanding and planning for New Zealand bioenergy demand is needed and it is encouraging that Te Uru Rākau are already working on this.

Without this framework, it is understandable that some people will conclude there are no limits. As much as is reasonably possible, we need an articulated vision of what New Zealand's land use will look like in the future, to sit alongside the Forestry and Wood Processing Industry Transformation Plan.



DAVID RHODES
CHIEF EXECUTIVE, FOA



ITP gets industry green light

The just concluded consultancy round on *Te Ara Whakahou – Ahumahi Ngahere* – the Forestry and Wood Processing Industry Transformation Plan has received a clear ‘get on with it’ message from the forest industry.

Forest Minister Stuart Nash launched the final version of the ITP at the Mystery Creek National Fielddays with solid backing for an industry government partnership to achieve the prime sustainable objectives of enhanced wood supply, high value markets and a modernised processing sector.

Industry feedback leading to the final version of the ITP was we need to get on with it without delay.

High in the wish lists were accelerated depreciation, more government wood construction, standards revisions and recognition of carbon in harvested wood products.

Diversification away from the predominant *Pinus radiata* was generally supported. Submitters pointed to decades of government support for the development of the pine industry through the 1900s and a similar backing would be necessary to make the most out of other exotics and their market volume and access.

The need for wood heating to be price competitive with fossil fuels was expressed.

A few submitters felt bioeconomy products should be a higher priority than heating, due to wood heating creating emissions.

Caution was conveyed about an unintended perverse outcome of quality logs going to the chipper.

Carbon foresters submitted that in a transition from exotics to native trees, woody biomass would become available.

Processers were concerned that past erratic forest policies by successive governments would continue. A boom-and-bust planting regime is not conducive to wood processing investment.

Further carbon unit price rises creating an incentive for carbon-only forests at the expense of log production was also feared.



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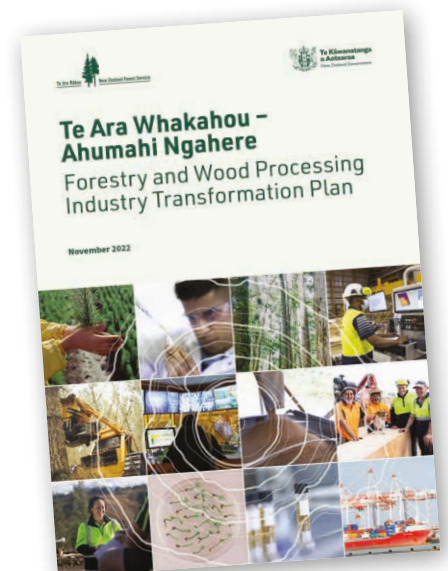
HIGH IN THE WISH LISTS WERE ACCELERATED DEPRECIATION, MORE GOVERNMENT WOOD CONSTRUCTION, STANDARDS REVISIONS AND RECOGNITION OF CARBON IN HARVESTED WOOD PRODUCTS.

Submissions from some Māori interests stated that the ITP draft was too commercially focussed and lacked a te ao Māori lens.

Māori submitters in particular supported the creation of regional processing clusters as a means of creating local economies and employment.

A strong Māori consensus was expressed that the voice of Māori in industry transformation is their priority.

Industry collaboration was frequently expressed as vital for the ITP to succeed, as was the enhancement of industry social licence by raising public awareness of the positive environmental and economic contributions of forestry and wood processing.



National Direction for plantation afforestation restricts land rights

A National Direction consultation document, dealing with carbon forestry, the environmental impacts of plantation forestry and the so-called ‘economic, cultural and economic’ effects of forestry, threatens the success of the Industry Transformation Plan and has evoked a negative response from the industry.

Due to pressure from some sections of the hill country farm lobby, the government wants to impose restraints on planting all exotic forests, through revisions to the National Environmental Standards for Plantation Forestry.

The NES-PF came into effect in May 2018, after eight years of development. It is the most comprehensive set of regulations of its type under the Resource Management Act.

The NES-PF predates carbon-only forestry and does not cover it.

Log production forests planted in the past four years since the NES-PF was introduced are still two decades away from harvesting time, which is the NES-PF focus.

The government however proposes the NES-PF should be revised and extended to incorporate rules around the emerging carbon-only forestry business.

The effect would be to make it harder to gain approval to plant any exotic forests for either purpose and so lock-in existing land use.

The consultation asserts the NES-PF is not effective in dealing with ‘social, cultural and economic’ effects of log production forestry, effectively blaming local government for not using those powers which it already has.

It states the urgent concerns raised by ‘some communities, primary sector interests, environmental non-governmental organisations and councils’ require a response.

The consultation sets out ‘options to control the location of plantation and permanent (carbon-only) exotic afforestation’, with the main question to be asked is whether the highlighted controls under resource consents should be centralised in Wellington, or devolved to local government.

There is little indication that these restrictions should be objectively assessed. Rather it appears the criteria for resource management



“PINUS RADIATA ... ARE RELATIVELY INEXPENSIVE AND FAST-GROWING PROMISING A QUICKER AND HIGHER RATE OF RETURN ON INVESTMENT THAN ALTERNATIVE SPECIES CAN REALISE.”

The Environmental Defence Society

should be based on the sensitivities of parties who just don’t like the idea of their neighbour planting trees.

While hill country farming is increasingly subject to regulation, such as water exclusion for livestock and associated farm plans, the basic right for a landowner to make a particular production choice is unchallenged in this consultation – except if someone wants to produce forests.

The FOA supports the need for better management of carbon-only forests and rules to enforce it. Carbon-only forests do not intrinsically require protection against fire or the spread of pests or diseases.

Production forests need protection against such threats from carbon-only forests.

The Environmental Defence Society, in conjunction with Pure Advantage, has climbed into the NES-PF revision with its submission making claims of ‘an appalling breakdown of environmental policy’.

EDS advocates instead for an expansion of indigenous forests, which it makes out will not cause the same ‘stymy of the rate of gross emissions’ which EDS believes exotics cause.

Believing the observations to be disparaging, EDS states “*Pinus radiata* ... are relatively inexpensive and fast-growing promising a quicker and higher rate of return on investment than alternative species can realise.”

EDS is certain exotic forestry is (evidence-free) guilty of many major environmental sins; from sediment discharge into freshwater and coastal environments, through to diminishing biodiversity – against only the yardstick, it would appear, of virgin native forest.

The NGO is even suspicious of clonal stocks of exotic seedlings.

The consultation document allies with such NGO sentiments. Notwithstanding introductory statements, acknowledging the vital role exotic forests play economically, the heart of the consultation is to find means to restrict forestry.



Charles Wallis obituary

One of the titans in the forestry investment industry, Charles Wallis, passed away on 22 November 2022, at the age of 85.

This loss was in the golden anniversary year of the company he founded in 1972, Forest Enterprises Limited. The many thousands of investors who have invested in forestry recognise Charles for his Midas touch in creating gold from trees.

Charles was born in Oriental Bay, Wellington and attended Waiwhetu Primary School and later Scots College.

He entered farming after a year at Massey University working on farms in Wairarapa and the Manawatu. Charles and his wife Ann owned an 84 hectare farm in Wards Line, Greytown, then later a larger farm in Gladstone. In 1972 they left farming to follow Charles' commercial instincts and entrepreneurial skills. Benefitting from the Government's Forestry Encouragement Grant Scheme, Charles developed commercial forestry syndications. He was a pioneer in this

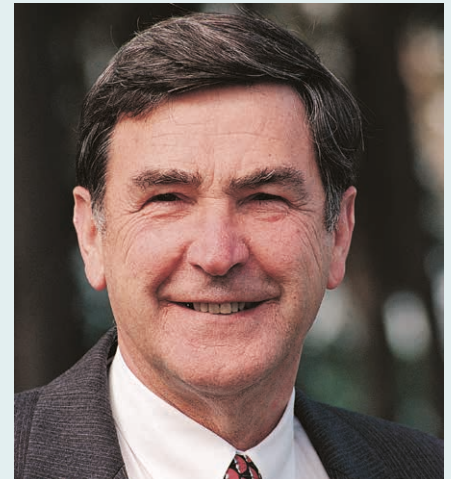
field. The first syndicate – 'The Waterfalls Project' – was a 160 hectare forest and brought together 25 keen investors who Charles knew personally.

Twenty-seven years on when Charles retired from Forest Enterprises:

- The company had its own premises in Papawai Place.
- It employed 14 fulltime staff (now 32) and hundreds of contractors.
- It managed 50 Forests in the North Island with a collective area of 22,000 hectares.
- The 50 syndicates had 6500 investors.

Charles was also chairman of the Wairarapa Building Society in the 1980s.

Outside family and business, Charles enjoyed community participation. He was a member of Jaycees and later Auckland Rotary. He was a president of Masterton South Rotary Club and awarded a Paul Harris Fellowship in 2001 for meritorious



service. When in Auckland he was twice president of Waiheke Rotary Club.

Charles will be remembered not only for his true grit but also as a gentleman with an engaging personality and a desire to help people succeed.

PF Olsen celebrates 50 years

Around 300 staff, former staff and associates of the PF Olsen Group of companies recently celebrated 50 years since the Rotorua based company was founded by Peter Olsen.

PF Olsen is the largest independent forestry service provider in New Zealand and one of the largest in Australia, with services covering forest and broad-acre crop management, forestry consultancy, genetically improved seed and container seedlings, ETS services, mapping and GIS.

The celebration was marked by the launch of the book *PF Olsen Ltd – The First 50 Years*.

Peter Clark, CEO for 20 years after Peter Olsen died in 1998, described the celebration as a recognition of the business ethics and values that Peter Olsen established when he started the

company, and what a dedicated team of professional foresters, technical and IT experts and support staff had been able to achieve over the past 50 years.

"It is great to get together like this, catch up with past colleagues and celebrate the diverse and sometimes challenging history of this iconic forestry firm", he said.

Current CEO, Ross Larcombe, who has been with the company since 1995, says he felt privileged to be leading the company at a time when New Zealand and the globe have recognised the vital role forests, both commercial and indigenous, can and must play in climate change mitigation, water quality and biodiversity enhancements.





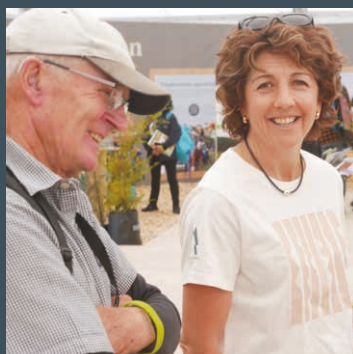
FIELDAYS

Fieldays® at Mystery Creek

Thirty-four exhibitors were on display at the first ever Fieldays Forestry Hub at the Mystery Creek Fieldays over the four days to 3 December.

Besides commercial exhibitors, the work programmes and funding of the Forest Growers Levy Trust, Te Uru Rākau, Scion, Tane's Tree Trust, Whenua Oho, the Timber Design Centre, Central North Island Wood

Council, Bioenergy Association, Save the Kiwi, Future Foresters, and the Farm Forestry Association were all present to display their wares.





Mokena Makeka's world forest future

Mokena Makeka was raised in Maseru the capital of Lesotho, and in New York.

Mokena, and his similarly international team at Dalberg Advisors, have reported to the COP27 Climate Summit at Sharm el Sheikh, that trees and wood are important to combat climate change and get to zero emissions.

Mokena's message is that forests are vital to take carbon out of the atmosphere – which everyone knows anyway. But, as well, he says, each country is different and

should independently work out which trees work best for them.

He says too, that using wood is just as vital to combat climate change as growing trees.

Around the world, from New York to Maseru, people are still flocking to live in cities. Planners are keen to house them in wood, rather than building with carbon emitting concrete and steel.

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Report to Sharm El-Sheik highlights role of wood in combating climate change

The Dalberg Report, presented to COP27 in Egypt last month, pointed both to how critically important wood is becoming as a carbon positive instrument and also how vital it is that each country adopt forest policies which suit local conditions.

Dalberg Advisers concluded that a huge increase in demand for wood and wood fibre is set against a presently constrained global supply of plantation forests.

The Report cited four different wood market analyses which estimated an increase in demand for roundwood alone to be between 3.1 and 4.1 billion cubic metres by 2050.

The upper end of that estimate is 117 times the yearly production of New Zealand plantation forests.

There are different means of sustainably increasing that supply, which sit alongside restoration of native species. Management of production forestry can work to increase biodiversity within forests, rather than diminish such biodiversity. The UN expects such Nature Based Solutions to achieve a third of the 2030 global emissions targets with forests contributing to most of this.

Dalberg is suggesting international coordination of education of the value of forests and wood products in combating climate change.

The Report sees growth in markets for; paper/ packaging, mass timber, wood fuel and timber manufactured products.

A promising indication of such market appetite might be seen in record prices now being paid for New Zealand pulp, paper, and paperboard exports.

The highest new demand is predicted to come from China and India, mainly in mass timber building and wood fuel.

Dalberg pointed to plantation forests already producing more than half of the wood supply for industrial use, but occupying only seven percent of the world's forested area.

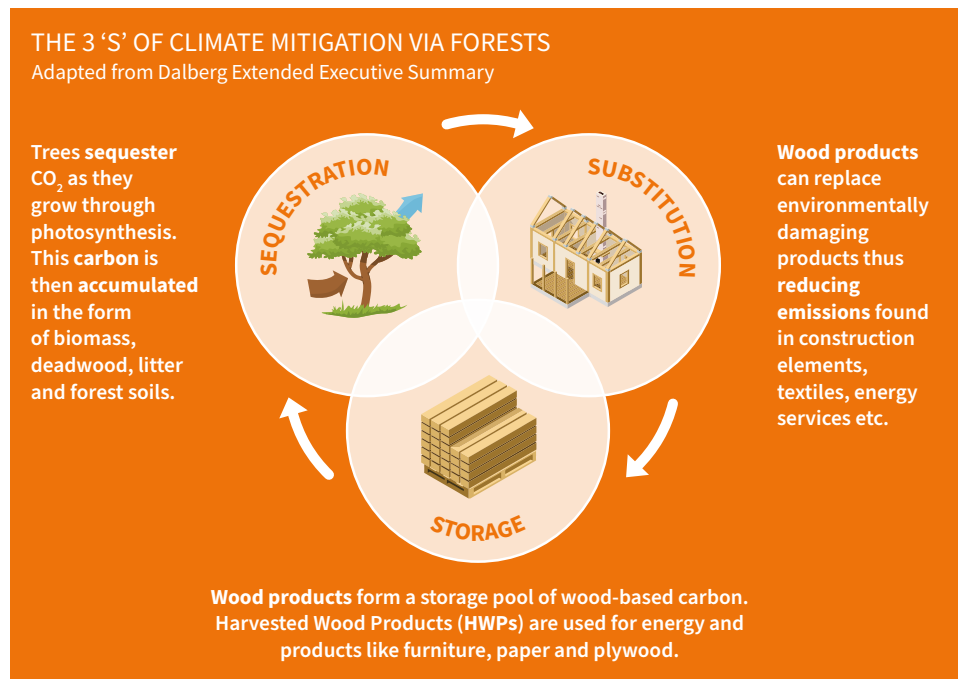
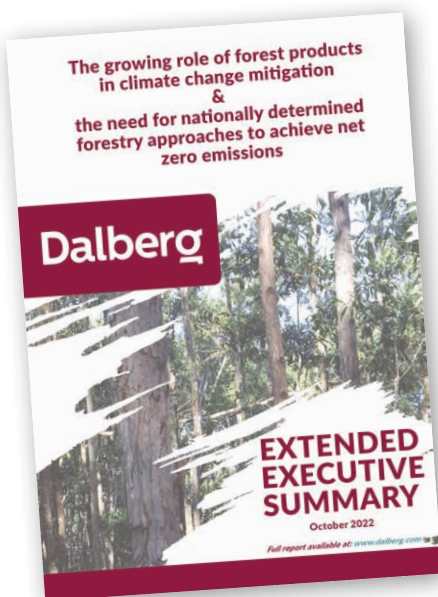
While it seems self-evident that each country adopts forest policies which are tailored to

local conditions, there are 'one-size-fits-all' lobbies which generalise conditions and circumstances in one part of the world to everywhere.

For example, in New Zealand, the *Listener* magazine last month featured a major story on Australian climate change commentator, Tim Flannery, written by *Listener* writer Jane Clifton.

The philosophical basis of the article was that the imperative urgency of reducing carbon emissions could be put on hold for some centuries until New Zealand's indigenous forests matured into full carbon storage capacity.

A disaster with plantation Blue Gum planting on Kangaroo Island in South Australia was generalised to New Zealand to condemn the whole concept of plantation forests.





Pan Pac growing up sustainably

Hawke’s Bay based Pan Pac Forest Products is increasing its focus on sustainability, as it plans to become the biggest business of its kind in Australasia.

Pan Pac is already New Zealand’s largest integrated forest products company with operations in Whirinaki, north of Napier and in Milburn, Otago.



Managing Director, Tony Clifford, says the business has been operating for 50 years, with global demand for its products growing year on year.

“Worldwide, demand is increasing for renewable and sustainable products. We envisage our turnover will grow from \$500 million today to \$750 million in 2030.”

“To ensure Pan Pac is well positioned to meet this increased demand sustainably, we are expanding our operations, and introducing greater automation and processes to improve safety for our people and reduce the impact on our environment.”

Pan Pac grows and harvests pines, then processes onsite into high-end appearance lumber grades and pulp for packaging, which it exports mainly to the United States, China and India. It also exports a small percentage of unprocessed logs.

The company has released *A Sustainable Future Together*, a report that outlines its sustainability performance and goals to 2030, with progress reports to those goals planned.

“We believe it is important to be transparent about the way we do business and the areas in which we need to do better,” Tony Clifford says.

“We know we have to lift our performance and we are embarking on a journey of improvement.”

“Pan Pac is a major contributor to our economy, with \$1 in every \$16 of Hawke’s Bay GDP originating from our business. We



provide employment for thousands of people directly and indirectly and are mindful of our responsibilities towards our community.”

“We are keenly aware of the legacy we are leaving for future generations. To grow sustainably, we need to protect and add value to our natural resources and develop deeper partnerships with iwi and other stakeholders.”

Initiatives highlighted in the inaugural report include buying the 68ha Pākuratahi Bush (pictured), Pan Pac’s first QEII covenanted native forest, north of Whirinaki, which will be further planted and restored.

Other work is to increase worker safety and wellbeing, improve waste management onsite and in the forests, and support community waste diversion projects through partnerships with local councils and the Waste Minimisation Fund.

TO READ THE REPORT, VISIT PANPAC.CO.NZ/SUSTAINABILITY



\$500 MILLION
2022 TURNOVER

\$750 MILLION
ESTIMATED 2030 TURNOVER

New Forests in East Africa investment

Australasian based New Forests is investing to arrest a dramatic decline in African forests – running at four million hectares a year.

New Forests and its investment partners have invested in a dedicated African fund, the African Forestry Impact Platform, for US\$200 million.

AFIP has in turn made its first acquisition, Green Resources, which is East Africa’s largest forest development and wood processing company, which manages 38,000 hectares of pine and eucalyptus plantations in Tanzania, Uganda and Mozambique.

These groups announced at COP26 at Glasgow a year ago that they would partner to develop sustainable forestry in Sub-Saharan Africa.

A United Nations assessment found four million hectares of African forests are disappearing yearly.

Africa has replaced South America as the continent with the largest natural-forest decline.

AFIP will invest in plantation forest companies, primarily established assets with stable and predictable cash flows across diversified markets.



“AFRICA ALSO HAS SOME OF THE WORLD’S MOST BIODIVERSE FORESTS. NEW FORESTS’ NEW AFRICA PLATFORM WILL EXPAND THE PLANTATION FOREST SECTOR WHILE SEEKING TO ALSO SUPPORT FOREST CONSERVATION, RESTORATION OF DEGRADED LAND AND EXPANSION OF COMMUNITY-BASED FORESTRY PROGRAMMES.”

DRAWING ON NEW FORESTS’ UNIQUE APPROACH TO SUSTAINABILITY, AFIP WILL FOCUS ON FOUR IMPACTS:



1. CLIMATE

GENERATE ADDITIONAL CLIMATE CHANGE BENEFITS.
TARGET: 2.26M T OF CO₂ REMOVALS INCLUSIVE OF CARBON OFFSETS.



2. BIODIVERSITY

INCREASE AREA OF QUALITY HABITAT PROTECTED OR RESTORED.
TARGET: 14% INCREASE



3. INCREASE DIVERSITY

TARGET: 80% OF PORTFOLIO ACHIEVING 2X QUALIFICATION.



4. COMMUNITIES AND LIVELIHOODS

SCALE POSITIVE COMMUNITY IMPACTS.
TARGET: 14% INCREASE IN PEOPLE EARNING AN INCOME OR ADDITIONAL OR IMPROVED LIVELIHOOD.

The Chief Executive Officer of New Forests, David Brand, says economies and timber demand are growing through Africa.

“But Africa also has some of the world’s most biodiverse forests. New Forests’ new Africa platform will expand the plantation forest sector while seeking to also support forest conservation, restoration of degraded land and expansion of community-based forestry programmes.”

“As an open-ended investment vehicle AFIP will help to create and perpetuate sustainable landscapes that can balance conservation and production systems.”

The Managing Director & Head of Private Equity Funds at BII, Clarisa De Franco, says BII is proud to be part of this partnership to launch a permanent capital vehicle.

“It will increase funding for nature-based solutions, increase the supply of sustainable wood, restore natural capital, while also boosting jobs within rural communities.”

US\$500 MILLION

FUNDRAISING TARGET FOR AFIP OVER THE NEXT TWO TO THREE YEARS.

“Addressing the climate emergency in Africa must include gender-smart actions, and we are thrilled that the fund has committed to invest at least 30 per cent of the value of its portfolio in 2X eligible businesses. This will promote inclusive economic opportunities, increase productivity and improve livelihoods across Sub-Saharan Africa.”

AFIP will continue to raise long term institutional capital to support the sustainability and development of Africa’s growing forestry sector, with the aim of raising US\$500 million for the Platform in the next two to three years.

Across Australia and New Zealand, New Forests manage 705,000 hectares of forests.

Meri Kirihimete

As we reach the time of year when everyone is bringing a tree inside we extend the best wishes from the FOA team to everyone in the forest industry for the festive season and for a great New Year.

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The New Zealand Forestry Bulletin is published three times a year by the New Zealand Forest Owners Association.

Please acknowledge the New Zealand Forest Owners Association as the source when republishing stories or abstracts from the Bulletin.

Publication date 16 December 2022.

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