



Afforestation Grant Scheme Guidelines

REGIONAL COUNCIL POOL





Afforestation Grant Scheme Guidelines

December 2008

REGIONAL COUNCIL

Further information on the Afforestation Grant Scheme is available at: www.maf.govt.nz/climatechange

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Information on other climate change and sustainable land management programmes, including the Emissions Trading Scheme (ETS) and the Permanent Forest Sink Initiative (PFSI) can be viewed on the following site: www.maf.govt.nz

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Introduction

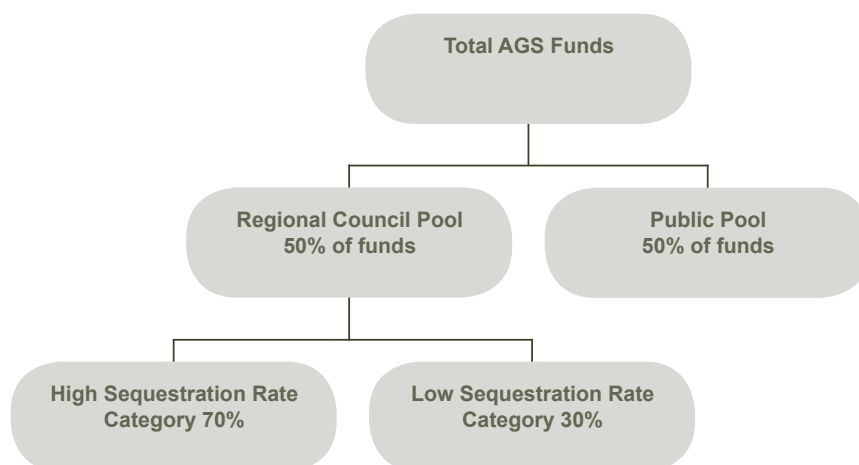
The Afforestation Grant Scheme (AGS) is a new initiative first flagged in the Sustainable Land Management and Climate Change: Options for a Plan of Action discussion document released in December 2006.

The AGS offers an alternative to the Emissions Trading Scheme as a way to encourage greater levels of greenhouse gas absorption by increasing the area of Kyoto-compliant new forest in New Zealand. The AGS has been split into two pools. This document deals only with the AGS Regional Council Pool and provides guidance for Regional Council staff and applicants.

Under the AGS, landowners can receive a government grant for planting new forests on Kyoto-compliant land (that is, land that was not forested as at 31 December 1989). Grant recipients will own the new forests and may earn income from the timber after the ten year contract period expires. For the first ten years following establishment of the forest the Crown will retain the carbon credits generated under the Kyoto Protocol, and take responsibility for meeting all Kyoto harvesting and deforestation liabilities. The contract will cease after ten years and should the landowner opt to enter the ETS any new carbon credits and the associated harvesting and deforestation liabilities will become the responsibility of the landowner.

A major objective of the AGS Regional Council Pool is to establish this new Kyoto-compliant forest in areas where it will help reduce the likely impacts of climate change and generate other environmental benefits, notably, where it will reduce erosion, nutrient leaching and flood peaks.

Funding allocation is illustrated in the following diagram:



Forests with a "high sequestration rate" are defined as those capable of achieving over any time-span, a total stem volume mean annual increment of at least 15 m³/ha/yr under conventional silviculture. Indicative Mean Annual Increments for a range of species are shown in Appendix 1. Forests with a low sequestration rate are forests that are not capable of achieving the above figure.

Afforestation and Climate Change

Forests contribute to the mitigation of climate change by converting carbon dioxide from the atmosphere into carbon stored in wood. They also assist with reducing the likely impacts of climate change. For example, forests can reduce erosion, nutrient leaching and flood peaks.

From a Kyoto Protocol perspective, forests planted on Kyoto-compliant land generate Removal Units (RMUs), sometimes called carbon sink credits that can be used to offset developed countries' greenhouse gas emissions. While a programme of new forest planting will not, in itself, enable New Zealand to meet its Kyoto Protocol target for the first commitment period it is likely to place New Zealand in a stronger position for possible future commitment periods.

Under the AGS, foresters can receive a government grant for planting new forests on Kyoto-compliant land (unforested as at 31 December 1989). Grantees¹ will own the new forests and earn income from the timber, while the Crown will retain the Kyoto Protocol sink credits and take responsibility for meeting all harvesting and deforestation liabilities for the first ten years.

¹ A grantee is the recipient of a grant.

About the AGS Regional Council Pool Guidelines

Regional Councils participating in the Funding Agreement with the Crown may submit proposals individually or jointly, for afforestation within their regions that meets the scheme eligibility criteria, and is consistent with their sustainable land use and water quality objectives.

The following Regional Councils are currently party to the funding agreement;

Northland Regional Council	Auckland Regional Council
Environment Waikato	Environment Bay of Plenty
Gisborne District Council	Hawkes Bay Regional Council
Horizons Regional Council	Taranaki Regional Council
Environment Canterbury	

The remaining Regional Councils can join at any time, however until they do, landowners in those regions can only access the funds through the Public Pool.

- The participating Regional Councils will work directly with landowners to arrange, administer and fund planting projects. The following core information is required in a proposal:
- A grant price per hectare;
- The total funds required by year;
- The sites that will be targeted and the associated co-benefits;
- How the Council will manage applications and performance.
- Regional Councils will be required to provide information on achievements under the scheme, and will be subject to MAF compliance audit.

These guidelines cover:

- who can apply for an afforestation grant;
- the role of Regional Councils;
- what land is eligible for a grant;
- how to apply for a grant;
- how the scheme administrator decides which application to approve;
- what to expect if an application is approved;
- payment of grant.

Objectives of the Scheme

The goal of the Afforestation Grant Scheme is to encourage the establishment of new forest land in New Zealand in order to stabilize the greenhouse gas concentration of the atmosphere (by converting carbon dioxide from the atmosphere into carbon stored in wood).

Under the Regional Council Pool, priority will be given to afforestation proposals that will:

- Reduce the risk of soil erosion, improve water quality and improve biodiversity;
- The intention is to create a scheme that meets these objectives with minimal administrative cost.

About the Afforestation Grant Scheme

Who Can Apply For An Afforestation Grant?

Provided that certain land eligibility criteria are met, persons owning land within each of the participating regions, with the right to use land for forestry can obtain an AGS grant through their Regional Council.

Individuals, business entities and local government may apply for the AGS grant provided they own the land, or have the right to use the land for forestry.

What Land Is Eligible For A Grant?

- Land eligible for a grant must be land that:
- Was not forest land on 31 December 1989; or
- Was forest land on 31 December 1989 but;
 - Was deforested between 1 January 1990 and 31 December 2007; or
 - Was deforested on or after 1 January 2008; and in respect of which any liability to surrender units arising to the Crown under the Kyoto Protocol have been satisfied.

“Forest” land is defined as:

“a minimum area of land of 1.0 hectare with tree crown cover (or equivalent stocking level) of more than 30 per cent in each hectare with the potential to reach a minimum height of 5 metres at maturity in situ.

A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest.

Young natural stands and all plantations which have yet to reach a crown density of 30 per cent or tree height of 5 metres are included under forest, as are areas normally forming part of the forest area which are temporarily unstocked as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest”.

A guide for determining whether forest meets this definition is available² and applies to afforestation under the AGS, the ETS, and the PFSI.

The assessment of the eligibility of an applicant’s land is based upon the information provided in their application. Hawke’s Bay Regional Council will, as required, carry out an inspection to confirm that the land is eligible to receive a grant. Non-compliant land within an application area must be identified in any application, and will not be eligible for a grant.

What land is not eligible for a Grant?

Significant Natural Areas (SNAs), Sites of Special Wildlife Interest (SSWIs) and Recommended Areas for Protection (RAPs) are not eligible for an afforestation grant, except for indigenous afforestation applications that will enhance the protected area.

Applicants may need to approach their local councils and/or Department of Conservation conservancies/area offices for advice about the location of SNAs, SSWIs or RAPs.

An afforestation grant cannot be used on sites registered with the Historic Places Trust; and/or recorded on District Council Plans. If there are recorded sites in the application area, the applicant will be required to employ an approved archaeologist to survey the proposed grant area and mark out any archaeological sites present. These sites will then be excluded from the grant area. An approved tender will remain provisional until the archaeological survey is completed³.

The AGS will not be available on land that has entered into the ETS, the PFSI or the East Coast Forestry Project (ECFP). East Coast District landowners may apply for an AGS grant on any additional non-ECFP target land⁴ that can’t be accommodated in an ECFP application (an objective in the ECFP is that 50% of the total grant area is to be target land as assessed at a regional level).

Land owned or administered by central government agencies is ineligible.

Eligible species

The species in an application must have the potential to meet the definition of “forest land”, and must be compatible with the site where they will be planted.

Indigenous species should be “eco-sourced” i.e. endemic to the locality. Natural forest reversion projects could include the establishment of exotic trees as a nurse crop in a transition to indigenous forest. Hawke’s Bay Regional Council operates a policy of “eco-sourcing” on a “where practicable” basis.

Forest species that have been identified in Regional Council Pest Management Strategies as having weed potential will be ineligible.

Establishment practices

To be eligible for sink credits under the Kyoto Protocol, a grant forest must be: “direct human induced ... through planting, seeding and/or the human-induced promotion of natural seed sources”. This means some form of active management will be required in establishing the forest.

Forests may be planted, or developed through assisted natural reversion.

The AGS requires a minimum standard of forest establishment, so that the grant forests can produce benefits other than carbon sequestration. This is a more restrictive definition of forest than the Kyoto Protocol definition.

² Visit www.maf.govt.nz/climatechange

³ There is a list of consulting archaeologists on the New Zealand Archaeological Association website (www.nzarchaeology.org). Consulting archaeologists will be able to advise whether there are any registered archaeological sites, or whether there is reasonable cause to suspect that there are, at a proposed area for afforestation.

⁴ For information on the East Coast Forestry Project and defined target land under this scheme, visit www.maf.govt.nz/forestry/east-coast-forestry

The AGS minimum standard for planted forest establishment is: “seedlings, cuttings or other plant material achieving a minimum planted stocking of 750 stems per hectare, and free of significant weed competition”. With planted indigenous forest, the minimum stocking may consist of other species - for example, manuka, planted with a dominant species such as kahikatea or kauri.

With indigenous reversion blocks, an applicant must provide a brief management plan detailing the measures that will be taken to ensure that succession to indigenous forest will occur with reasonable certainty – for example, fencing, exclusion of livestock, control of wild animal herbivores or supplementary planting.

The forest may be established for wood production purposes, other environmental purposes or a combination of both.

No standards are specified for any other silvicultural operations.

Minimum application size

The minimum application size is 5 hectares. This area may consist of multiple areas of at least 1 hectare.

Shelterbelts or riparian strips less than 30 metres average width (canopy-edge to canopy-edge) are not eligible. However, afforestation on both sides of a waterway can be assessed as one riparian strip with the width of the waterway excluded from the width measurement.

How will funds be allocated?

Annual funding from the Regional Council Pool is summarised in the following table:

2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
\$1.2 M	\$3.5 M	\$3.5 M	\$3.5 M	\$3.5 M	\$1 M

Grants will be allocated on the basis of sequestration rates. As a general guide, the regional Council Pool will follow the 70:30 ratio between high sequestration rate forests and low sequestration rate forests.

Any unspent balances will be carried over to the following year. Alternatively funds may move between the Regional Council Pool and the Public Pool depending on demand.

Each Regional Council will co-ordinate applications for their region, ensuring that the co-benefits of soil erosion, water quality and biodiversity are met for each application. A ranking system will guide Regional Councils in their discussions with landowners.

Applications that will clearly not satisfy the objectives of the Regional Council Pool will be directed to the Public Pool.

Participating Regional Councils will forward the list of applications to the National Allocation Panel within 30 days of the closing date for applications.

National Allocation Panel

The National Allocation Panel comprises five representatives from the participating Regional Councils and a MAF representative. The panel is responsible for the final allocation of funds ensuring national consistency. Any applications not meeting the objectives of the Regional Council Pool or alternatively if the Regional Council Pool is oversubscribed then those unsuccessful applications will be referred to the Public Pool.

The National Allocation Panel will provide the level of consistency and accountability required to manage AGS funds.

Afforestation categories

Three categories will apply depending on the type of afforestation project. The categories are;

- Exotic afforestation;
- Planted indigenous; and
- Assisted reversion.

Maximum grant rates

Maximum grant rates will be set for each afforestation category that will reflect the rate of carbon sequestration, and the risks to the Crown of retaining carbon ownership. The grant will reflect the rate of carbon sequestration over the first 10 years of the rotation.

The grant rates agreed to on a per hectare basis for the period up to 30 June 2010 are:

- \$2,400 + GST for fast growing species
- \$1,000 + GST for slow growing species

(A species list with annual carbon uptakes is available in the information booklet)

Species capable of a Mean Annual Increment of 15 or greater are described as 'Fast Growing'.

Regional Council Pool – Applying for a Grant

The application process will be:

- Applicants submit grant application (Appendix 2) via Hawke's Bay Regional Council;
- Hawke's Bay Regional Council acknowledges receipt of grant application;
- Confirmation that species are suitable for the sites;
- Onsite inspection and audit of information submitted.
- The application will be considered, approved, renegotiated or declined.
- The administrator may at his or her sole discretion decline any application.

Timing of the annual Afforestation Grant programme will be as follows:

Closing date for applications	31 March	31 October
Provisional or final approval	Before 30th April	Before 30 November

Successful applicants will have 12 months from the tender closing date to provide the required information.

Unsuccessful tenders from earlier rounds may be re-submitted as a new grant application to this or the Public Pool for the same areas, or investors may choose to enter the ETS or the PFSI as an alternative.

Grant approvals may be extended due to unforeseen circumstances, for example, seedling unavailability, delays in negotiating forestry rights etc. Requests for extensions will be considered on a case-by-case basis.

Further information may be requested on receipt of an application. If this information is not supplied within a three-month period, the tender will lapse and the applicant must reapply.

Ranking of tenders

- The primary co-benefits considered by the Regional Council Pool relate to forestry, that in addition to its carbon benefits;
- addresses soil erosion particularly in erosion prone landscapes.
- addresses water quality issues relating to turbidity (sediment) , nutrients or bacterial contamination and
- contributes to the protection and / or improvement of the biological diversity of a landscape.

Criteria

The land management officer or equivalent Regional Council Officer, when considering an area of land for afforestation should score the relative attributes of that landscape according to the criteria outlined in the information booklet. The resulting 'score' can then be used as a guide as to which is the most appropriate fund to apply to. The area is assessed for other value:

- soil conservation
- water quality
- biodiversity

Which Fund?

An afforestation proposal scoring 16 points or more is recommended as a suitable project for the Regional Council Pool PROVIDED the soil erosion or the water quality score is 6 or greater.

Projects scoring 16 point or less are better suited to the Public Pool.

Table 1 - AGS Criteria

Criteria	Low	Medium	High	Your Score
Soil Conservation	Score 3 The soil conservation aspects of the project are low, with a less than moderate erosion potential or on LUC class 6 or below, lack of any connectivity to water or lack of any regional environmental benefit	Score 6 The soil conservation aspects of the projects are apparent with actual or potential for moderate erosion on LUC class 6e or above, obvious regional environmental benefit	Score 9 The soil conservation aspects are significant with actual or potential for severe erosion on LUC class 7 land, direct connectivity to water and noticeable regional environmental benefits	
	Score 3 Water quality will only be improved marginally	Score 6 There will be some improvement to water quality in either an improvement in turbidity, reduced nutrients (phosphate and or nitrates) or bacteria.	Score 9 There are significant improvements in water quality either due to significant levels of sediment excluded from water way, significant reduction in overland flow of nutrients and / or reduced direct faecal contamination	
Flood Risk	Score 2 There are minimum impacts on flood protection or flood protection enhancement	Score 4 Some downstream benefits will accrue from the introduction of this project	Score 6 The downstream impacts on flood protection are significant due to reduction in aggradation in key flood protection schemes	
	Score 2 There are minimal biodiversity benefits	Score 4 Biodiversity benefits are apparent	Score 6 Biodiversity benefit are significant or a priority site / species is enhanced	
Scale and Impact	Score 2 The scale of the project is small and has minimal impact on wider region	Score 4 The scale of the project is small but there are significant regional impacts OR the scale is large but with smaller regional benefits accruing	Score 6 The scale and impact are both significant.	
	Total Score			

1.	Did your project score 24 or more points? If Yes, then go to question 2. If no go to 3.
2.	Did soil conservation or water quality score 6 or more points? If Yes go to 4.
3.	Application should be made to Public Pool of AGS
4.	Application should be made to Regional Council Pool of AGS

Approval Process

The steps in the approval process are:

- Applications will be scored against the five criteria;
- Applications meeting the threshold score will be considered under the Regional Council Pool;
- Applications not meeting the threshold score will be directed to the Public Pool;
- Applications will be prioritised on a national basis should the fund be oversubscribed;
- Applications are then provisionally awarded up to the available funds for that application round.
- Unsuccessful applicants will be informed in writing.

What are the terms of a Grant?

A successful application (the landholder) will be offered a grant agreement (Appendix 3). This agreement will contain the following terms:

- The term of the agreement will be 10 years;
- The grantee can make a claim for payment when the grant forest is deemed to be successfully established;
- If the grant land is deforested within the term of the agreement, the grant plus interest is repayable;
- If the grantee transfers the grant-aided forest, the grantee is obliged to transfer the contract to the transferee via a Deed of Novation (Appendix 4);
- The scheme administrator will have the right to access the land for carbon measurement purposes;
- The agreements between the Hawke's Bay Regional Council and landowners will reflect these terms. The grant agreement and the Deed of Novation are available at www.hbrc.govt.nz/land.

Payment of Grants

A grantee may lodge a claim for payment when the forest is successfully established including a statutory declaration to that effect, and when a geospatial map of the planted area is supplied. Normally, this will be at least six weeks after the tree releasing operation in the spring following planting.

- The process prior to making a claim will be:
- Forest area planted;
- Notify Land Management Advisor that project completed;
- An inspection of the completed project will be carried out by Land Management Advisor;
- Payment approved and processed by LMA.

With assisted indigenous reversion, a claim may be lodged when the operations specified in the application such as fencing, animal control etc have been completed.

The administrator will audit a proportion of claims to confirm compliance with the establishment standard, and will generally make payments within 30 working days of receiving claims. Adjustments may be made to claims if part of the application area is deemed to have not met the standard.

Other issues

Tax Treatment

Grant payments are treated as grants to businesses under section DF1 of the Income Tax Act 2004. The grant is made by the Government under a contract at an approved value (exclusive of GST) and is not a reimbursement of costs.

The administrator will advise the IRD of all grant payments.

Who will own the carbon credits?

The Crown will retain ownership of the Kyoto carbon credits and liabilities associated with the grant forest for ten years.

Risk

The Crown will accept the risk of carbon loss from fire, wind, other natural disasters, with the cost being included in the setting of the maximum grant amounts.

Except as provided in an AGS agreement, the Crown is not liable to any person for compensation or damages in respect of any matter arising from an AGS agreement.

Legal authority

Under section 15 of the Forests Act 1949, the Minister of Forestry has the power to make financial grants or loans to persons in the forestry sector.

The operating details of the Scheme may be altered with the approval of the Minister of Forestry.

Further information Afforestation Grant Scheme, Ministry of Agriculture and Forestry , PO Box 2526 ,Wellington

Phone: 0800 CLIMATE (254 628), Email: climatechange@maf.govt.nz, www.maf.govt.nz/climatechange

Appendix 1: Indicative Mean Annual Increments (MAI) of various species

Species	MAI of Total Stem Volume m ³ /ha/annum
Southern rata	3
matai	4
miro	5
rimu	5
tawa	6
kanuka	8
kohekohe	8
Mountain beech	8
puriri	8
kahikatea	8
Hard beech	10
rewarewa	12
Silver beech	12
totara	12
Australian blackwood	15
Red beech	15
kauri	15
Willow	15
Poplar	15
Western red cedar	15
Leyland cypress	18
Lawson cypress	18
Redwood (Californian)	20
Ponderosa pine	20
Monterey cypress	20
E globoidea	25
E saligna	25
E botryoides	25
E pilularis	25
E obliqua	25
E fastigata	25
Larch	25
Mexican cypress	25
Redwood (giant sequoia)	25
Radiata pine	28
E delegatensis	30
E regnans	30
Douglas-fir	30
E. nitens (chiplog regime)	35

Appendix 2: Grant Application Form*

Appendix 3: Grant Agreement*

Appendix 4: Deed of Novation*

Appendix 5: Claim for Payment*

***These documents are not included in the Guidelines. Please contact your Regional Council.**

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www.hbrc.govt.nz