Economic impact of ETS regulations on Māori forestry assets

Summary of Brief of Evidence, dated 13 May 2025

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Key points

New Zealand has net, not gross, domestic carbon emissions targets

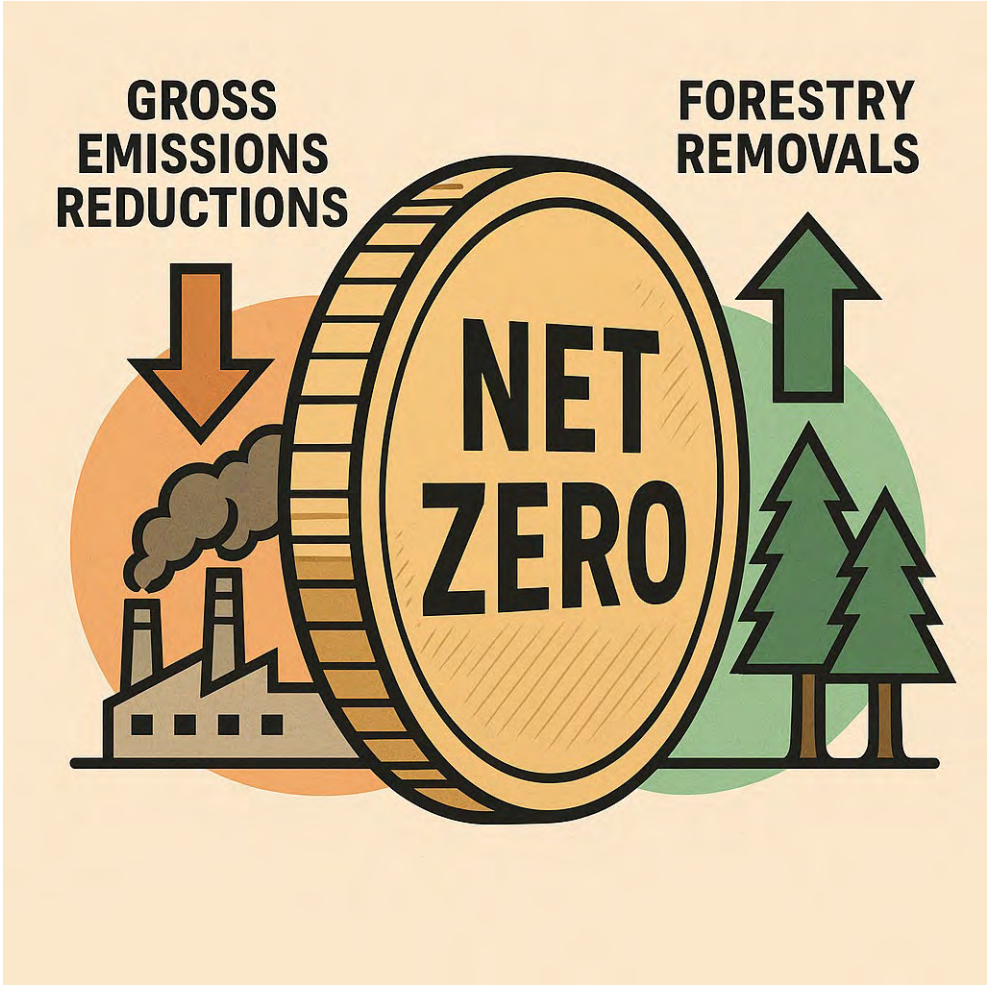
Forestry emissions removals help New Zealand move to net zero at lower cost, reducing the cost of living impacts of decarbonisation

Proposals to consider devaluing forestry removal units reduce Māori forestry asset values and make it harder to get to net zero at a reasonable cost for Māori and non-Māori households

The 2023 consultation paper considering such a devaluation was not based on sound regulatory design and could have resulted in significant negative outcomes for Māori and the wider economy

Net zero target and forestry

- New Zealand's legislated domestic emissions target is net zero emissions by 2050 for all GHG except biogenic methane
- As we travel our pathway to net zero, we have to consider both gross emissions reductions and removals (i.e. forestry)



How the ETS works

ETS is our main domestic tool for hitting our net zero target in an efficient, low cost way

Government issues a certain number of tradable emissions units (NZUs)

Emitters must buy or earn units to cover their emissions

Forestry generates “removal units” that offset emissions

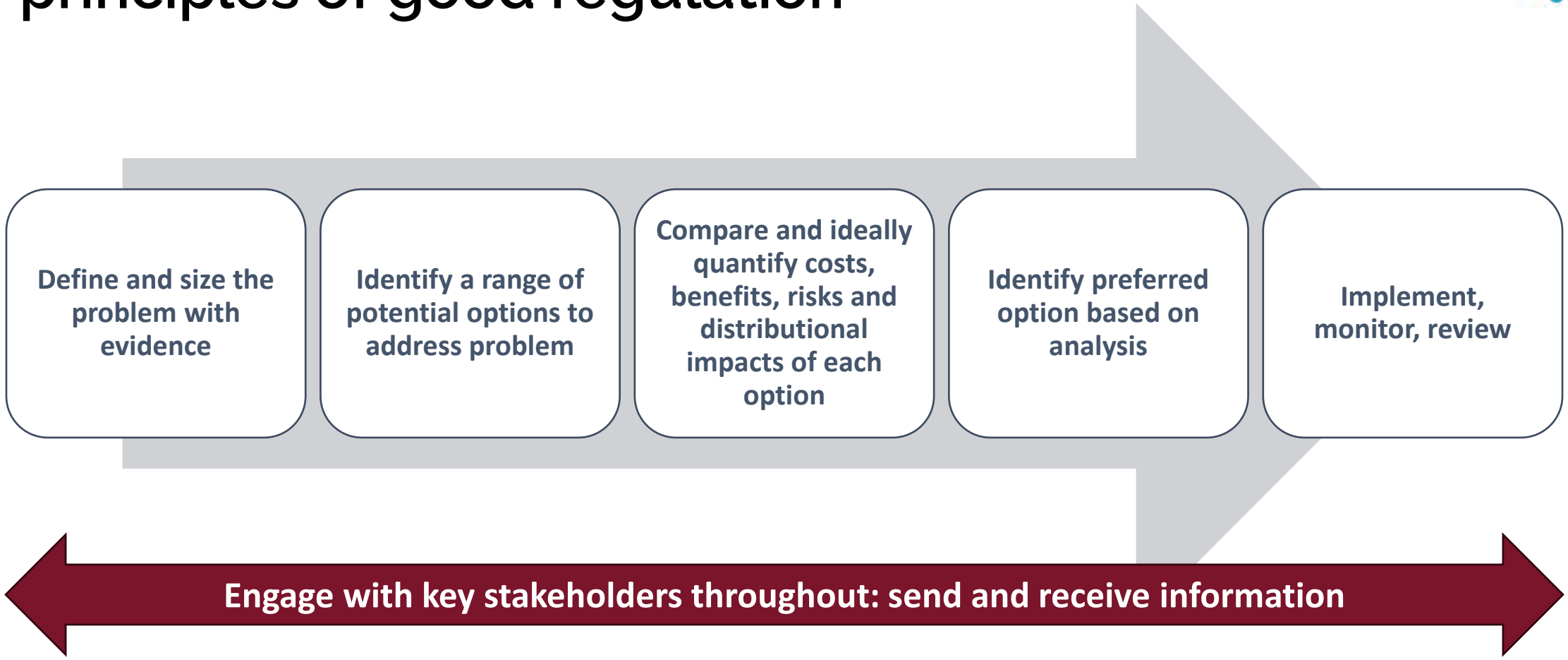
ETS participants can decide how to meet their emissions obligations at least cost

Changes in the price of NZUs act as a signal to ETS participants to change their behaviour

Government has huge influence over ETS

Forestry asset values can rise or fall depending on regulatory design, or even potential changes to regulations

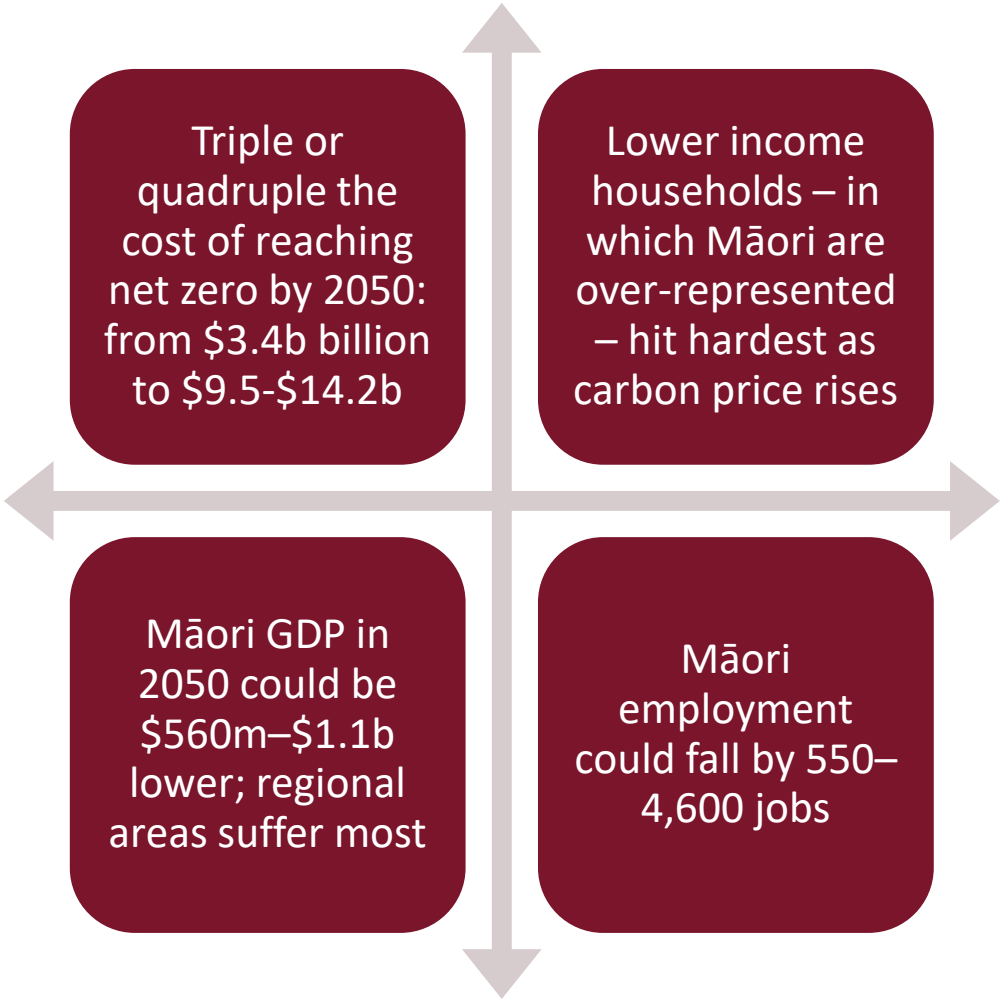
Any changes to ETS settings need to follow the principles of good regulation



2023 discussion paper concerning an alleged over-supply of NZUs did not align with these principles

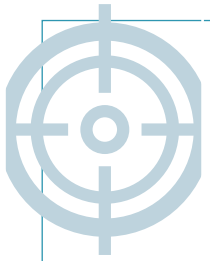
- It started from the premise that – despite our net targets – more gross emission cuts should be the aim
- It assumed an over-supply of forestry units without convincing evidence
- It did not adequately consider how forestry investors might adjust behaviour if NZU prices fell due to an over-supply
- It proposed potential solutions – which were hard to conceptualise – before defining the problem properly
- It did not adequately compare options' costs, benefits and risks

Economic impacts of devaluing forestry units

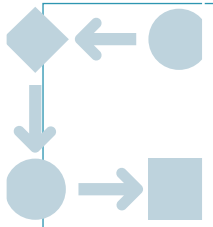


- We modelled the discussion paper's options to understand how Māori might be affected
- "What if?" analysis using an economy-wide model with emissions
- Scenarios based on our interpretation of the discussion paper's options (as they weren't well defined)

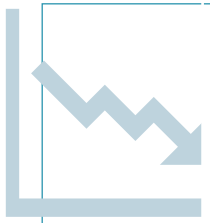
Key takeaways



New Zealand has a net emissions target. Getting to net zero isn't cost-free.



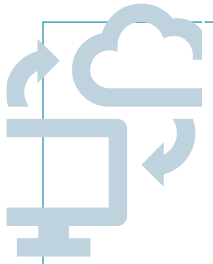
Sound regulatory design is needed for a just and low-cost transition



Considering devaluing forestry removals, based on substandard regulatory analysis, is potentially destabilising for investors

Māori would be disproportionately impacted by any moves to reduce the role of forestry in the ETS

Our modelling shows devaluing forestry NZUs will increase costs of getting to net zero, reduce Māori wealth and jobs, and undermine investment certainty



Better government modelling and evidence are essential to define the problem and analyse costs & benefits of options

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