



The Latest Climate Change Policy Implications for You are..... Good!

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Dear Forest Owner,

Your forests have just increased in value due to government policy. That makes a nice change!

All previous ideas we have had to endure over that last few years have been scrapped and at last they have listened to the foresters on the subject and decided not to mess too much with our property. Some points:

1. The new policies apply from 2008 to all plantations greater than 2ha. Forests are divided into pre & post-1990 forests. Ours are all post-1990 and 33 out of 35 are reforestation, i.e. planted on what was pasture in 1990. That is the key for recognised carbon gains.
2. Previously we were very sceptical about taking carbon credits, because of the expense, liabilities and the rules attached but the new policy looks favourable overall. There will be significant costs to gain credits (to be called 'NZUs') but these may be quite valuable so worth the effort & expense.
3. Very roughly, we may be looking at receiving \$200 per ha per annum on average for selling just 40% of the carbon sequestered by our post-1990 qualifying forests.
4. It will probably be unwise to sell any more, as those credits will need to be bought back at harvest for the logs removed from the site, which is about 60% of the carbon. The rest is roots, stumps & branches.
5. It will be necessary to have agreement between landowners and investors to get NZUs. Replanting after harvest will need to be agreed for one thing.
6. Policy detail and regulations are yet to come and we do not expect to have any NZUs to sell until the end of next year. We will keep you informed as the picture becomes clearer.
7. There are also going to be more policies favouring forests and wood use, for environmental and climate change reasons. At last our society is beginning to value forests for their multiple benefits.

Whether you believe in anthropomorphic climate change or not is no longer relevant. The debate is over as far as 90% of politicians and scientists are concerned. If they are wrong it is going to take a generation to prove it and convince them. Personally I am convinced although I share the Bjorn Lomborg view, i.e. the cap & trade Kyoto system will be an expensive failure but technology & economics will slowly close the fossil fuel era.

We think forest investment will increase now, for carbon & other reasons. We plan to resume planting.

We are also on track to launch a new business soon, called **CarbonGuilty.com** in a joint venture with an innovative local online publisher, I.D. Ltd. CarbonGuilty will sell **Forest Carbon Bonds™**, our own brand of forest carbon credit, parallel to or the same as NZUs.

Watch this space then & maybe see some of you at the AGMs next week?

Regards,
Charles Etherington



FOREST GROWTH CREATES CAPITAL & STORES CARBON

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