

**To:** Environment Select Committee

**From:** Wood Processors and Manufacturers Association of NZ

**Date:** 7 July 2025

**Subject:** Climate Change Response (Emissions Trading Scheme – Forestry Conversion) Amendment Bill (the Bill).

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## **1. Introduction**

- 1.1 The Wood Processors and Manufacturers Association of New Zealand (WPMA) is appreciative of the opportunity to provide feedback on the Climate Change Response (Emissions Trading Scheme – Forestry Conversion) Amendment Bill (the Bill).
- 1.2 As a general statement, we submit against the Bill proceeding at this time, and recommend that it is reviewed to take a broader consideration of Harvested Wood Products (HWP) carbon storage in the ETS.
- 1.3 From a wood processing perspective consultation within our industry has been narrow and insufficient for the scale of the change proposed. As an important end user of trees/logs and producer of HWP's, we express our concerns that little effort (if any) has been made to consult on the proposed Bill within our sector.
- 1.4 We highlight that should this Bill proceed, there could be a future negative flow on effect to the wood processing sector through log supply shortfalls which will constrain sawmills, pulp mills, and export woodlots, further threatening regional jobs and economic growth.
- 1.5 In addition, the benefits claimed by an investor undertaking afforestation, where the applicant is committed to supply domestic processing will be fortified should this Bill proceed. Hence, this Bill will further discourage overseas investors who need sites for conversion to forestry that are in proximity to both domestic processing and ports.
- 1.6 In submitting, we support some of the key points from the NZFOA submission relative to the future of wood processing and manufacturing in New Zealand. These are highlighted within the discussion.

## **2. Discussion**

### **General Comments on the Bill**

- 2.1 The Bill's moratorium on exotic-ETS registration on LUC 1–5, the 15,000 ha cap on LUC 6, and tunnel-vision focus on LUC 7–8 has the potential to shrink exotic afforestation by up to 30 percent, potentially jeopardising future log availability for wood processing and manufacturing (including biomass development), NZ's carbon budgets and rural economies.

- 2.2 The changes outlined within the Bill contradicts the Government commitments to investment certainty and support for future growth in wood processing facilities within New Zealand. For example, a Japanese company looking at investing within the New Zealand wood manufacturing industry has decided not to advance their due diligence investigation due to the uncertainty of future log/wood biomass supply bought about by proposals (e.g. future restrictions on tree planting) such as outlined within this Bill.
- 2.3 Wood processing is a long-term capital-intensive sector that requires stable, transparent rules. Constant policy tinkering is having the opposite effect. In addition, the Bill ignores the economic benefit of the 30,000 jobs that wood processing provides within our rural sector and the flow on effect these businesses have too community wealth and prosperity.
- 2.4 The current ETS legislation does not allow for the allocation of HWP units. This needs to be considered with both the National Party and ACT Party committing to bringing HWP units carbon storage into the ETS as part of their election promises. Hence, we recommend that to further support the wood processing sector HWP units are awarded to wood processors as a core component of the ETS.
- 2.5 The cap on afforestation on Class LUC 6 land reinforces forestry as a ‘last resort’. Exotic forestry should be treated as a strategic land use across classes, not consigned to the least fertile soils. This risks pushing investment offshore or to low-value reforestation programs.
- 2.6 The proposal forces forestry onto LUC 7–8 where marginal terrain is less productive, more erosion-prone, costlier to harvest, and offers weaker ecosystem co-benefits. This land is often not accessible to wood processing plants, with the high cost of log transportation and distance from ports, making it uneconomic to purchase.
- 2.7 The Regulatory Impact Statement (RIS) does not include any substantive economic modelling assessing the future potential impacts of this policy. Without such modelling — particularly one that distinguishes between plantation and carbon forestry and overlooks HWPs — there is no clear economic evidence regarding the policy’s effect on New Zealand’s economic outlook.
- 2.8 Forestry investments frequently involve collaborative arrangements, such as joint ventures with landowners (including iwi), and are typically underpinned by long-term harvesting, processing, and export agreements. Regulatory consistency is therefore fundamental not only to investment itself, but also to the viability of New Zealand’s downstream wood processing sector. This is particularly important given the international nature of forestry capital — if New Zealand’s investment environment becomes unpredictable, capital may flow to more stable jurisdictions.

### **3. Conclusion**

- 3.1 WPMA views this Bill as a potential disincentive to future investment in both forestry and wood processing within New Zealand, which goes against this Government's goal of incentivising wood processing/ biomass development and doubling our exports of value-added wood products.
- 3.2 Overlooking the benefit that HWP units in the ETS would provide to wood processors is an additional concern, and we submit that these are included within ETS considerations.
- 3.3 For the reasons outlined within our submission we recommend that this Bill is reconsidered.

### **The Wood Processors and Manufacturers Association**

#### **About us:**

The Wood Processors and Manufacturers Association (WPMA) was established in 2014 through a merger of the Wood Processors Association and the Pine Manufacturer's Association. We are a voluntary funded industry association with a strong focus on promoting wood as the heart of a future zero-carbon economy.

Our members are leaders in the New Zealand wood industry converting harvested logs into a wide range of products including sawn lumber, pulp, paper, panels, laminated products, mouldings, and engineered wood, through to the development of bioenergy solutions.

Total sales of industry products both domestically and globally in 2023 were approximately \$5 billion. The industry employs close to 30,000 staff, mostly in the New Zealand regions.

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