Triple Ridge Forest Partnership

Annual Report & 2010 Budget

31 December 2009

Forest Stand Progress

Leslie Hills ('LH3'). We finished all pruning of this stand this year and have just started thinning, hence the new budget enclosed and early request for funds for 2010.

This plantation is now divided into three compartments: two pruned, totalling 141 hectares and one unpruned totalling 26 hectares, which will now be an unpruned or 'framing' regime like GT6.

The range of growth is extensive, as is common on hill country. About 100ha, which is the most sheltered areas is very good, by which we mean above average and this area is being thinned now. About 40ha more was good enough to justify pruning and will be thinned in about another year. The remainder is slow or of poor form so will be left unpruned and at a higher stocking to produce structural and industrial timber. Ironically it is these parts of the forest that will probably produce the most biomass per hectare in the long run and thereby the most carbon credits.

Glens of Tekoa ('GT5 & 6'). This forest, made up of five stands and two species continues steady growth and is healthy. There is a wide range of growth rates over the area depending on exposure to the wind but the majority is relatively sheltered, so good.

Kalimera ('KM1'). This is a 'top of the range' plantation and the canopy is already starting to close up following thinning of the pines in 2008. The Macrocarpas are still very healthy with very little sign of the canker that can badly affect this species in places. It seems to depend on site largely, so this one is looking promising so far.

Carbon Credits, at last

The Emissions Trading Scheme is now in place and together with the landowners, the Partnership can register and claim carbon credits ('NZUs') from all of its forest area for 2008 and 2009. We must do this before the end of March 2010. The parties' NZUs can then be sold on the open market right away or kept for later sale. We do not know what the price will be but the current assumption is $25, because the government has imposed a cap at that price. It could be less of course.

But before the partnership gets any credits it must have the landowners' agreement, so we have written to them asking for that and suggesting an addition to the Joint Venture Agreement to cover carbon credit issues.

Obviously selling credits can create a liability which the landowner will not want to be left with at harvest, at least not without adequate compensation. However, it is possible to take some credits and not have to return them at harvest, so long as the forest site continues to be forest land. Currently though, landowners can do what they like with the sites after harvest. So perhaps the parties can agree to replant at harvest if credits are taken.

We will send you a full report from the Forestry Consultant on all this very soon but for now we can say we believe it will be possible to get an agreement with the landowners to allow both parties to gain from the ETS without compromising the long term viability of their forest investment.

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