

# Stage 2 Cost Recovery Impact Statement

Review of the Forestry Emissions Trading Scheme Cost Recovery Settings

## Agency Disclosure Statement

*This Cost Recovery Impact Statement has been prepared by the Ministry for Primary Industries. It provides an analysis of options to update cost recovery settings for forestry in the Emissions Trading Scheme (ETS), to come into force starting in the 2026/27 financial year.*

There are caveats in the data and analysis. The proposed annual charges and service fees are based on the best available cost estimates and on assessments of the time required to complete each service. For certain services, time estimates could not be reassessed due to an absence of demand during the review period. As a result, existing assumptions about the hours required have been retained. Caveats are outlined in further detail throughout the CRIS.

Preferred options included in this document are:

- A reduction to the annual charge for all participants, and a reduced and time limited annual charge for post-1989 forests that no longer report changes in carbon stock;
- A proposal to introduce part charges for the annual charge for new post-1989 participants;
- A reduced hourly rate that underpins service fees;
- Changes to the hours that underpin some existing service fees;
- 8 proposed new service fees.

These options have been developed in accordance with the cost recovery principles of transparency, justifiability, efficiency and equity as defined in New Zealand Treasury and the Office of the Auditor-General and MPI's cost recovery guidance. MPI considers that the cost recovery principles have been sufficiently met to progress changes to the cost recovery settings for forestry in the ETS.

## Options not considered in this document

The options and proposals in this consultation document are limited to cost recovery settings for forestry in relation to the ETS. This document does not propose major changes to how costs are recovered or the overall approach to cost recovery for forestry in the ETS. Instead, it focuses on setting out the services and costs involved, who benefits, and who should pay. Options that would change the underlying operating model behind forestry in the ETS have not been considered, for example changes to the IT system (Tupu-ake) or who provides each of the services (MPI, the Environmental Protection Authority (EPA), or a different provider).

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8 / 3 / 2026

## Executive summary

New Zealand owners of post-1989 forest land can choose to become a participant with forestry in the ETS, where they can acquire New Zealand Units (NZUs) for the carbon they sequester. As participants, they can then sell NZUs for financial benefit.

Foresters of pre-1990 forest land may not register in the ETS to earn NZUs, but they are required to participate in the ETS by surrendering NZUs to the government if they deforest the land.<sup>1</sup>

The Ministry for Primary Industries (MPI) provides the administrative services that allows the forestry component of the ETS to function.<sup>2</sup> These services include processing applications to register, verifying the type and size of forests, and managing compliance. Administering the forestry ETS is modelled to cost MPI \$20.734 million for the 2026/27 financial year. MPI is proposing to update cost recovery settings for forestry in the ETS in line with updated modelling that reflects increased efficiencies in the administration of the ETS.

## Annual charge proposals

We consulted on a number of options relating to the annual charge for post-1989 forestry participants. Following consultation feedback, we propose a package of options in this document to give effect to:

- An annual charge reduced from \$14.90 to \$10.28 for the next three years
- A reduced to 55% annual charge for two emissions return periods for “forests that no longer report changes in carbon stock”
- The introduction of part charges for new post-1989 participants

## Proposed changes to existing service fees:

We also consulted on changes to existing service fees. As a result, we are proposing:

- To reduce the hourly rate from \$165 per hour to \$133.83 per hour for the next three years; and
- Adjustments to the average number of hours it takes to carry out some services

## Proposed new service fees:

We consulted on proposals to introduce eight new service fees for services that have a private benefit. Following consultation, we are proposing that all eight new service fees be introduced:

**Table 1: summary of proposed new service fees.**

| Service   | Proposed fee based on \$133.83 hourly rate |
|---|--|
| Assessing an emissions return when the participant has failed to submit a required emissions return | \$401.49                                   |
| Amending an emissions return when the participant has submitted an incorrect emissions return       | \$401.49                                   |

<sup>1</sup> There are some circumstances that allow an exemption from the obligation to surrender NZUs for deforestation and others that allow the offsetting of deforestation by planting a new forest on land that meets certain criteria.

<sup>2</sup> MPI has delegated authority from the Environmental Protection Authority (EPA) who has legislated authority to administer the ETS.

|  |            |
|--|------------|
| Removing one or more whole carbon accounting areas for permanent forests | \$401.49   |
| Removing one or more part carbon accounting areas for permanent forests  | \$1,003.73 |
| Notification that post-1989 offset deforestation is complete             | \$200.75   |
| Removing land status notice  | \$373.75   |
| Reviews of decision  | \$401.49   |
| Land Use Capability (LUC) ballot application                             | \$66.92    |

## The structure of this Cost Recovery Impact Statement (CRIS)

This document follows the template for a Stage2b CRIS, with the addition of a background section. Impact analysis of each option is included following the description of the proposed option, to ensure that impacts are read alongside the detail of the proposal.

### Status quo

The status quo is a per hectare annual charge of \$14.90 (excluding GST) per hectare for participants registered with post-1989 forestry in the ETS and 33 types of service fees for services that have a private benefit, as outlined in the Forestry Regulations and Climate Change (Emissions Rulings: Fees and Charges) Regulations 2010. The modelling for the status quo annual charge is provided in the *Forestry in the Emissions Trading Scheme: Review of the annual charge and Field Measurement Approach reporting for the 2023-25 period* CRIS.<sup>3</sup> The modelling for status quo service fees is provided in the Tranche Two CRIS.<sup>4</sup> The status quo rates are consistent with the modelling done at the time.<sup>5</sup>

### Annual charge status quo

The annual charge covers the cost of the wider administration of forestry in the ETS. It is applied where the use of specific service fees would present natural justice issues or could reduce participant willingness to access a service, for example, reviews of decisions by MPI.

The current annual charge component of cost recovery for forestry in the ETS covers 10 existing club good services (services that provide benefits to participants as a whole) or where charging costs as a service fee would not be desirable. These services are shown in table 2 below. Proposals for the annual charge in this CRIS cover similar existing club good services, however the components of the annual charge have been re-examined, further defined and adapted to increase transparency compared to the status quo.

The \$14.90 per hectare annual charge as set out in the Forestry Regulations applies for financial years starting on 1 July 2025. If no change is made to the annual charge, then MPI

<sup>3</sup> The Review of the annual charge and Field Measurement approach CRIS is available at: <https://www.mpi.govt.nz/dmsdocument/66288-Stage-2B-Cost-Recovery-Impact-Statement-Forestry-in-the-Emissions-Trading-Scheme-Review-of-the-annual-charge-and-Field-Measurement-Approach-reporting-for-the-2023-25-period>

<sup>4</sup> The Tranche Two CRIS is available at: <https://www.mpi.govt.nz/dmsdocument/59314-Appendix-Three-Cost-Recovery-Impact-Statement>

<sup>5</sup> Modelling conducted at different points in time is described in this CRIS. Many types of ETS figures change over time, the figures used in modelling represent the ETS at the point in time at which modelling was conducted.

will be required to invoice participants at the rate of \$14.90 per hectare for the 2026/27 financial year.

**Service fee status quo**

The 33 existing service fees relate to services that have a private benefit for the person who requests the service, for example, applications to register as a participant with forestry in the ETS. These service fees are set out in the Forestry Regulations and the Climate Change (Emissions Rulings: Fees and Charges) Regulations 2010. While most existing service fees apply to participants with registered post-1989 forest land, some service fees relate to pre-1990 forestry, or forest owners with an interest in the ETS (e.g. the service fee for emissions ruling).

A person is required to pay the fee when they request a service, before the service is carried out. Service fees are set by multiplying the hourly rate (cost of staff time and overheads) by the average number of hours it takes to carry out the service. A full list of the existing service fees, alongside the proposed new service fees (reflecting a reduced hourly rate and adjustments to average hours) is in Appendix one.

**Table 2: Status quo annual charge components**

| 2024/25 annual charge components                          | Cost           | Percent of annual charge |
|---|----------------|--------------------------|
| <b>Compliance activities</b>                              |                |                          |
| Assurance   | \$3.68         | 25%                      |
| Enforcement (excluding legacy cases)                      | \$0.42         | 3%                       |
| Education   | \$0.58         | 4%                       |
| <b>Customer Enquiries</b>                                 |                |                          |
| Finance management  | \$0.22         | 1%                       |
| ETS participant reports                                   | \$0.22         | 1%                       |
| Customer enquiries response                               | \$1.43         | 10%                      |
| Reviews of a decision (excluding legacy cases)            | \$1.36         | 9%                       |
| IT system — maintenance                                   | \$4.48         | 30%                      |
| IT system — improvements                                  | \$0.75         | 5%                       |
| 20 percent of IT system — depreciation and capital charge | \$1.76         | 12%                      |
| <b>Total</b>  | <b>\$14.90</b> |                          |

If the status quo cost settings remain for both the annual charge and service fees, MPI will over recover from the sector due to a surplus that has been accumulated, and the efficiencies that have been found that reduce the costs to carry out these services.

**Legislative authority for Recovering forestry ETS costs**

The Climate Change Response Act 2002 (the Act) provides the legal authority to recover costs for services provided in the forestry ETS and allows for flexibility in the type and level of charges that can be applied.

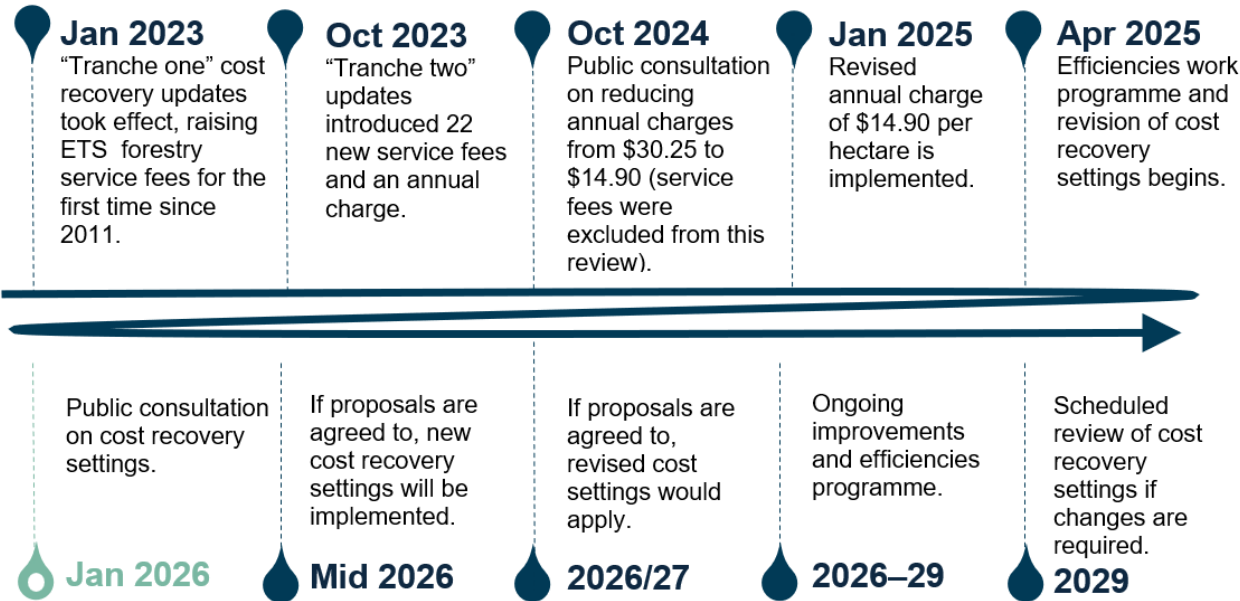
Section 167(4)(g) of the Act specifically allows for regulations to set an annual charge. Further detail on the legislative authority for cost recovery is set out in Appendix two.

The Forestry Regulations, which are made under the Act, require MPI to invoice forestry post-1989 participants for the annual charge, calculating the charge as soon as practicable after 30 June for the previous financial year.

## Background

### Timeline of cost recovery for forestry in the ETS

Keeping cost recovery settings up to date is an ongoing process. The timeline below outlines key milestones in updating cost settings for forestry in the ETS, and outlines intended future steps.



### Efficiencies review for forestry in the ETS

Following feedback from the sector received through consultation in 2023 for *Forestry in the ETS: Second set of proposed cost recovery fees and charges*, the Government committed to reviewing the cost recovery settings for forestry in the ETS and identifying opportunities for efficiencies and cost savings.

The reduced annual charge in 2024 was an interim step to reduce costs for the sector and allow for a transitional period while a full review of cost settings and further efficiencies could take place (efficiencies work programme).

Through the efficiencies work programme, we have identified areas where service levels could reduce, or where different ways of managing work would reduce the work of staff. Some of these changes to find efficiencies have been implemented. Potential efficiencies that require further investigation into alternative approaches, and in some cases, the implementation of IT solutions will take longer to implement.

The efficiencies work programme is ongoing. As participation with forestry in the ETS is forecast to increase, the intention behind future efficiencies is to ensure that the cost of

administering forestry in the ETS stays similar and predictable for participants, despite an increase in participation numbers.

### **Engagement with the forestry ETS Registry Reference Group**

In 2024, the Minister of Forestry established the Forestry Emissions Trading Scheme Registry Reference Group (Reference Group) to help ensure greater transparency, communication and engagement on forestry in the ETS.

This Reference Group has been engaged with alongside the review of cost recovery settings, and the efficiencies work programme. The Reference Group has provided insight into areas for potential efficiencies, alternative options to consider, and advice in the development of options in this consultation document.

The proposals in this document were analysed by Te Uru Rākau – New Zealand Forest Service and approved for consultation by Cabinet. Any policy decisions that follow public consultation will be made by Cabinet.

### **Updates to modelling since consultation**

The modelling and forecasting of the cost of administering the ETS, and the impact of fees and charges was included in the consultation document to support consultation on updates to cost recovery settings for forestry in the ETS included in this document.

Modelling in this document has been based off of an annual charge of \$10.25 per hectare. Separately, the impact of the preferred option to time limit and reduce the annual charge for forests that no longer report changes in carbon stock (explained further below) has been modelled to increase the annual charge for those who pay the full price, to \$10.28 for the next three years.

Modelling has been updated since the publishing of the consultation document. The modelling has been adjusted based on updated volume of hectares in the ETS as of 16 February 2026. The impact of introducing part charges has also now been modelled for this CRIS, this is outlined later in the document.

Due to the increase in hectares since modelling was carried out for consultation, there is the potential for the annual charge to continue to reduce. This would be reflected in future updates to cost recovery settings.

### **Cost of administering forestry in the ETS over time**

The cost of administering forestry in the ETS is forecast at \$20.734 million for the 2026/27 financial year.

Continued efficiencies have meant that the cost of administering forestry in the ETS is increasing at a much lower rate than forecasted participation and inflation. Under the proposed settings, the total cost recovered expenditure against the forestry in the ETS

Memorandum account<sup>6</sup> in 2028/29 is forecast to be \$100,000 lower than 2024/25. This is due to continued efficiencies being greater than forecast inflationary pressures.

### *Accumulated surplus*

A surplus accumulated in the forestry in the ETS memorandum account in 2025/26 primarily due to higher than anticipated levels of service fee activities, particularly applications to register or add land to forestry in the ETS. The fairest way to return this surplus to those that have helped create it is through a reduction in the annual charge, it is possible that the full surplus will not be returned if a surplus continues to accumulate in the memorandum account, this could be due to higher than forecast growth in participation, or use of service fees. The surplus in the memorandum account will continue to be monitored, with adjustment to costs if in the future if required. The alternatives are less fair or efficient, for example, returning it through reducing the fees would benefit new participants – not the ones that contributed to the surplus. We consider direct refunds would be administratively burdensome and, in some cases, information may not be held for who should receive the refund (for example, if a transmission of ownership has occurred).

### *Treatment of depreciation costs of the IT system*

Forestry in the ETS uses an online IT system called Tupu-ake. This document proposed to maintain the current split of depreciation costs as 80 percent Crown funded and 20 percent cost recovered. Currently, the 20 percent of cost recovered depreciation costs are recovered through the annual charge. This does not reflect that both annual charge services, and service fee services use Tupu-ake. Moving forward, we propose to distribute the cost of IT depreciation across the annual charge and service fees as a fairer approach, as both annual charge and fee activities use the system to deliver services.

### *Forecasts revenue and expenditure*

The below table reflects a summary of the forecast cost recovered revenue and expenditure under proposed fees and the annual charge.

**Table 3: forecast of cost recovered revenue and expenditure under proposed fees and charges**

|  | Actual<br>2024/25 | Forecast<br>2025/26 | Forecast<br>2026/27 | Forecast<br>2027/28 | Forecast<br>2028/29 |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Opening balance</b>                         |                   | -\$75,849           | \$2,517,678         | \$1,669,065         | \$1,128,303         |
| <b>Revenue</b>                                 | \$12,053,761      | \$14,465,500        | \$11,140,484        | \$11,464,304        | \$11,772,704        |
| <b>Expenditure</b>                             | \$12,130,099      | \$11,871,484        | \$11,989,097        | \$12,005,066        | \$12,030,988        |
| <b>Surplus / deficit</b>                       |                   | \$2,594,016         | -\$848,613          | -\$540,762          | -\$258,284          |
| <b>Memorandum closing position at year end</b> | -\$75,849         | \$2,517,678         | \$1,669,065         | \$1,128,303         | \$870,019           |

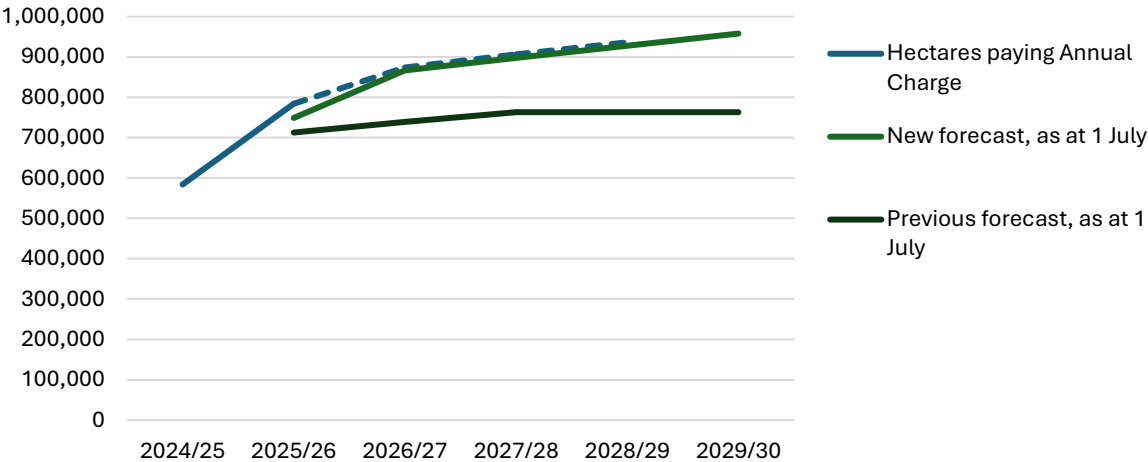
Participation is forecast to continue to grow. Using the central scenario of the Afforestation Deforestation Intentions Survey 2025,<sup>7</sup> we forecast that by 30 June 2028, 952,000 (rounded

<sup>6</sup> MPI generally uses memorandum accounts to track revenues and expenditure associated with cost recovered services. Memorandum accounts record the accumulated balance of surpluses or deficits incurred in providing cost recovered services. In general, MPI aims to set charges at levels that ensure memorandum accounts trend towards zero over a three-year period.

<sup>7</sup> A survey commissioned annually by the Ministry for Primary Industries to gather information from major forest owners, forestry consultants, and others involved in planting or deforesting land. It provides national and regional estimates of intended exotic and indigenous afforestation and intended deforestation of planted forests, supporting emissions projections, ETS policy, and forestry planning.

to the nearest 1,000) hectares will be registered in the ETS. This is an increase from 748,000 hectares on 1 July 2025.

**Graph 1: forecast of hectares registered, against December 2024 forecast**



Together with growing participation numbers and continued efficiencies in administering forestry in the ETS, the cost per participant is expected to continue to drop.

**Apportioning costs between the Crown and participants**

Services provided for forestry in the ETS are described as public, private, or club goods based on who benefits from the service, described in the table below.

**Table 4: description of public, private, and club goods**

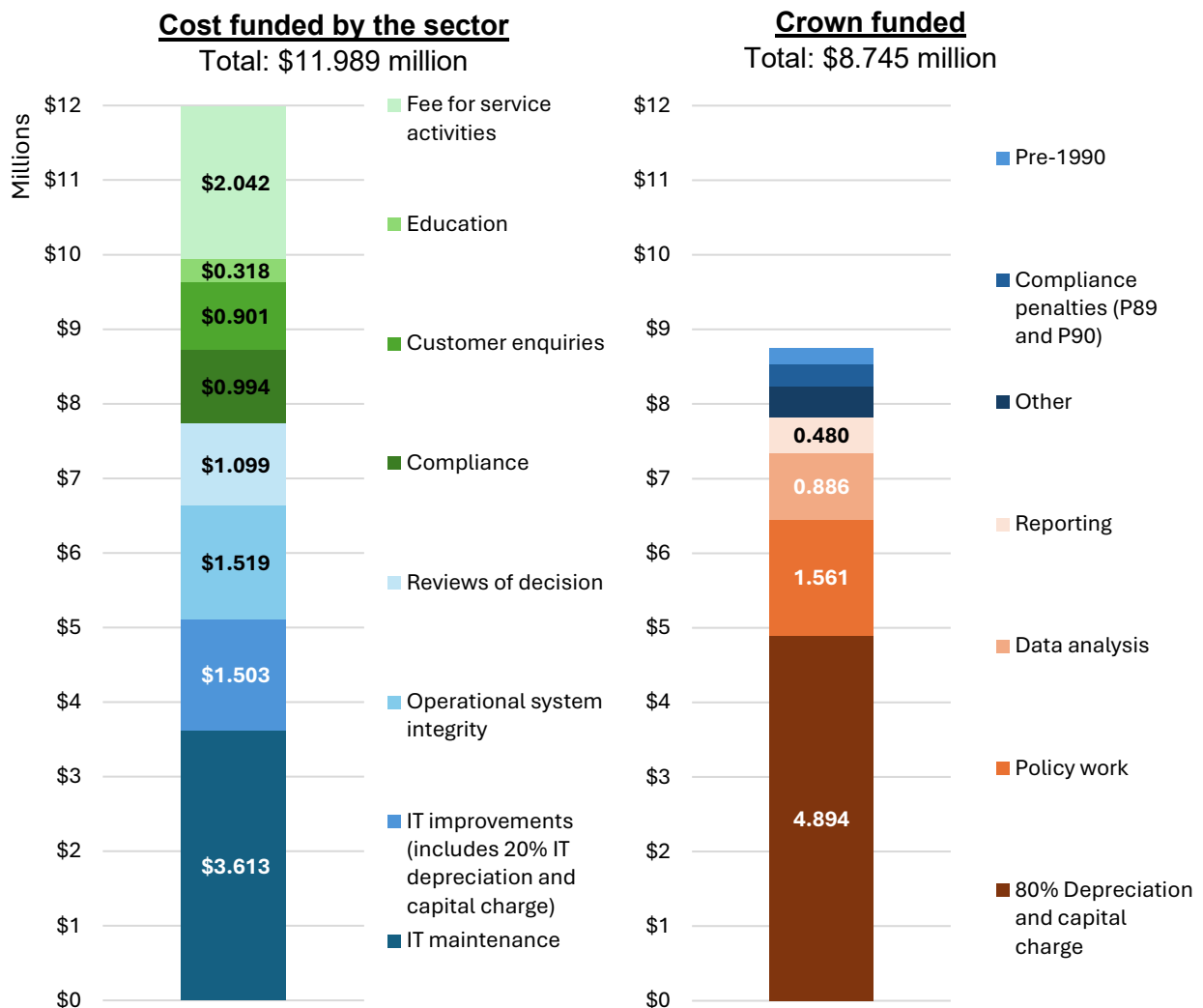
| Public goods   | Private goods  | Club goods  |
|--|--|---|
| Services where excluding people from its benefits is either difficult or costly, and its use by one person does not detract from its use by another.               | Services that directly benefit an individual, and where excluding people from its benefits is low cost, are usually paid for by those who benefit from them. | Services that benefit participants as a whole and where excluding people from its benefits is low cost, but its use by one person does not detract from its use by another.                                 |
| <b>Public goods are funded by the Crown.</b> Examples of this for forestry in the ETS include costs associated with most pre-1990 forestry and policy development. | For forestry in the ETS, <b>these are recovered through service fees</b> , for example, fees for applications to register forestry in the ETS.               | <b>The recovery of club goods is generally done through the application of a levy or an annual charge.</b> For example, compliance monitoring to ensure the integrity of forestry in the ETS is maintained. |

Some services with private good attributes may not be suitable for service fees due to fairness concerns or unintended consequences. For example, charging for customer enquiries could discourage asking questions and reduce compliance. Where appropriate,

some private good services are included in the annual charge, and are not proposed to be removed.

The proposals in this document lead to a split between \$11.989 million funded through cost recovery from the sector (through the annual charge and service fees), and \$8.745 million funded by the Crown. A breakdown is visualised in the graphs below.

**Graph 2: 2026/27 expenditure funded by the sector (left) and funded by the Crown (right), \$ millions**



## Cost Recovery Principles and Objectives

### MPI Cost Recovery Principles

Cost recovery plays a significant role in ensuring the quality of MPI services that support the primary industries are maintained.

MPI generally recovers the cost from industry and individuals who benefit from the related services. Given the scope and significance of cost recovery, MPI maintains an ongoing work programme to ensure that its supporting systems and processes remain fit for purpose.

The scope and diversity of services MPI provides across different sectors means that it is not practical to adopt a ‘one-size-fits-all’ approach to cost recovery settings. Instead, MPI takes a principles-based approach,<sup>8</sup> as described in cost recovery policy guidance published by the New Zealand Treasury and the Office of the Auditor-General, as well as the various Acts under which MPI recovers costs. MPI’s four cost recovery principles (the principles) are defined in Table 5 below.

**Table 5: Summary of MPI cost recovery principles**

|                       |  |
|-----------------------|--|
| <b>Transparency</b>   | Costs which are being recovered can be clearly linked to the service provision.  |
| <b>Justifiability</b> | Costs which are being recovered are appropriate — that they relate to the service being provided and that they are not unreasonable. MPI also has a responsibility to ensure that services are both effective and efficient. |
| <b>Efficiency</b>     | Costs should generally be allocated and recovered to ensure maximum benefits are delivered at minimum cost.  |
| <b>Equity</b>         | Costs are recovered in a way that is fair.   |

The principles build on each other with Transparency and Justifiability providing a foundation to be the consideration of, and sometimes trade-offs between, Efficiency and Equity. Essentially, MPI can cost recover only if it has first sufficiently met the Transparency and Justifiability principles.

The Efficiency and Equity principles state that the beneficiaries of a service should generally pay for that service. That is, beneficiaries pay 100% of costs of a service they use unless there is a strong efficiency or equity reason for why they should not. Efficiency is about maximising benefits and minimising costs.

Costs should be charged to those who benefit from the service and/or whose behaviour generates the need for the service. Equity involves value judgements. It will normally be considered fair that beneficiaries or those whose behaviour generates the need for the service pay (in line with the Efficiency principles), but there may be reasons why the government might want to make a contribution. This could, for example, be because the government wants to support small businesses or emerging industries, or because parties cannot afford to pay, and governments would rather not see parties stop operating. Additional information on the principles and how they relate to each other is available in Appendix three.

**MPI Cost Recovery Objectives**

The following four key objectives of this cost recovery proposal are directly derived from the MPI cost recovery principals:

1. Transparency - ensuring that recovered costs can be clearly linked to the service provision;

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<sup>8</sup> A principle is a general rule that should be used to guide cost recovery design, a feasible option must meet the stated principles. An objective is more of a goal that a specific cost recovery proposal should meet, the recommended option does not need to meet all of the objectives.

2. Justifiability - ensure charges for services reflect the costs of providing them and provide a fair way to minimise Crown funding requirements to maintain the ETS;
3. Efficiency - promote consistency by using a common approach to cost recovering for services of a similar nature and cost structure, to deliver maximum benefit at minimum cost and maintain simplicity of charges, by using fees and annual charges where appropriate;
4. Equity - apportioning costs between participants and the Crown in a way that is fair.

## Policy Rationale: Why a user charge? And what type is most appropriate?

If the proposals outlined in this document are successfully implemented, it will result in 58% of costs being cost recovered. The Crown will continue to fund 42% of costs of administering forestry in the ETS. The Crown funding is to reflect services where cost recovery is not consistent with the cost recovery principles, or there is an overall public benefit provided.

Examples of these services include:

- Policy advice by teams across government;
- Inter-agency reporting;
- Meeting the costs of prosecution activities;
- Most costs associated with pre-1990 forestry activities; and
- Ensuring the ETS is assisting New Zealand to meet its domestic targets and international obligations.

It is considered appropriate that a portion of the costs relating to ensuring the consistent and fair regulatory function of the ETS is borne by the Crown. For costs that are to be recovered, the appropriate type of charge to use depends on whether the service is a private good or a public good.

### Private good – fees

Service fees are used for private goods – services that are of direct benefit to individual businesses. This includes services like applications to register forest land in the ETS.

Service fee prices have been calculated using the average time it takes to complete each service. Processing times are based on the historic average time required to provide each service where data is available. Estimates are used for new services where data is unavailable. All processing times are predicated on business knowledge and experience gained through operating the system.

Service fees are generally set with the intention to recover 100% of the costs associated with providing the service.<sup>9</sup>

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<sup>9</sup> Some proposed new service fees are nominal to balance undesirable outcomes. For example, review of decisions are proposed to be recovered through a combination of service fees and the annual charge, to reduce natural justice concerns.

## Club goods – annual charge

Annual charges pay for club goods – this relates to activities that benefit sectors or entire groups. For example many compliance activities help ensure that the ETE is robust and protects value for all participants. The IT system, which underpins the operation of the ETS, also benefits all ETS participants. Isolating the costs of club good services on an individual basis is either impossible or inefficient. For example, it would not be efficient or desirable to charge a fee each time a participants access the IT system.

Sometimes services are a private good, and it is possible to isolate the costs to an individual, however, it may not always be desirable to charge a service fee. For example, charging a service fee for customer enquiries could create a perverse incentive for participants not to seek out information. This could influence compliance rates. All participants benefit from having access to the ability to submit a customer enquiry. There are also added benefits in that MPI may send out ETS alerts to all participants, and update website content to reflect any common enquiries that come through. As it would not be appropriate to charge a service fee but given that it is only registered forestry ETS participants (and their agents) that benefit from this service, it is appropriate to charge these costs as an annual charge, despite having some private good characteristics.

## Utilising an annual charge based on per hectare of participation

The 2023 cost recovery review led to a decision to recover the cost of club goods through an annual charge based on per hectare of participation in the forestry ETS. It was considered the best way to cover club good costs that are appropriate to be recovered from participants as a whole. This is because it ensures participants with smaller forests are not disproportionately affected by the annual charge compared to alternative approaches such as a flat fee. Application of an annual charge reflects that typically there is greater administrative effort in providing services to larger forest holdings and reflects the benefit that forestry ETS participants gain in NZUs in relation to the size of their forest.

Alternative options to a per hectare annual charge were considered in 2023<sup>10</sup> including, for example, an annual charge based on the net unit entitlement of participants. However, annualised cost recovery across all forestry ETS participants based on the size of forest land they have in the ETS was preferred, as this determines the level of benefit they receive through NZUs.

During this current review of cost recovery settings for forestry in the ETS, we re-considered alternative approaches to the annual charge but concluded that the original analysis around the per hectare approach still stands. Alternative approaches raised through consultation in the past could negatively influence the efficiency of forestry in the ETS, raise natural justice issues and create inequitable scenarios for participants. As outlined in Table , the approach for fees for private goods and annual charge for club goods aligns with MPI's cost recovery principles.

### **Table 6: Tranche Two (2023) assessment of proposed service fees and annual charge against cost recovery principles**

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<sup>10</sup> Refer page 10 of the Tranche Two Cost Recovery Impact Statement:  
<https://www.mpi.govt.nz/dmsdocument/59314-Appendix-Three-Cost-Recovery-Impact-Statement> .

| Cost recovery principle                 | Assessment   |
|---|--|
| Transparency – costs are transparent    | <b>Strong alignment.</b> The costs for each of the services borne by the users are based on an average time (and therefore cost) to complete the service. The cost of each service will be publicly available. For the annual charge, it is clear what components need to be charged for, why this is the case, and how much the forestry ETS participant will need to pay.  |
| Justifiability – costs are reasonable   | <b>Strong alignment.</b> Fees had not been adjusted since 2011 while the cost of administering the system has increased, due to the increasing number of participants and the need to develop new administrative IT systems. Cabinet noted on 15 March 2023 [DEV-23-MIN-0022] that MPI's cost recovery principle of equity deems it fairest that ETS participants should bear the costs of funding the scheme's administration, as they are the direct financial beneficiaries of the scheme.  |
| Efficiency – net benefits are maximised | <b>Strong alignment.</b> The charge and fees are split out based on private vs club goods. All post-1989 participants will contribute to club goods, while only those that use the services will need to pay service fees.   |
| Equity – costs are fair                 | <b>Alignment.</b> All users of the system receive financial benefit from voluntarily participating. Cabinet [DEV-23-MIN-0022] noted that MPI's cost recovery principle of equity deems it fairest that ETS participants should bear the costs of funding the scheme's administration, as they are the direct financial beneficiaries of the scheme. Charges directly reflect the costs of providing services, by calculating fees based on time to complete the service. Māori forest owners are acknowledged as being disproportionately affected by any new or increased costs for advisory services (following up on applications and seeking clarification). |

The annual charge applies to participants with forest land registered in the ETS. As of 16 February 2026, there are 885,449 hectares of registered forest land that are required to pay the annual charge.

## Annual Charge Proposals

### Components of the annual charge

We are proposing that \$9.95 million per annum is recovered through the annual charge from participants with post-1989 forestry in the ETS as a group. This section considers how to best share that cost across the 5,000-plus participants with forestry in the ETS.

Detailed descriptions of each of the proposed components of the annual charge, and their assessment against cost recovery principles is in Appendix four.

In addition to sharing the cost across participants, as discussed above, MPI proposes to return the surplus that has been accumulated in the forestry component of the ETS memorandum account through both the annual charge, and future service fees. The table below outlines the proposed components and costs of the annual charge and how the surplus impacts the total costs to be recovered.

**Table 7: summary of proposed annual charge services and costs**

| Service            | Cost, 2026/27 |
|--------------------|---------------|
| Compliance         | \$993,944     |
| Education          | \$318,081     |
| Customer enquiries | \$900,805     |

|                                      |   |
|--------------------------------------|---|
| <b>Reviews of decision</b>           | \$1,099,198   |
| <b>IT management</b>                 | \$3,613,471   |
| <b>IT improvements</b>               | \$1,503,323   |
| <b>System enablers</b>               | \$1,518,768   |
| <b>Return of accumulated surplus</b> | <i>-\$1,936,408 (to be returned over a 3-year period)</i> |

## Allocating the annual charge

Currently, the status quo shares the annual charge across all participants at a per hectare level, excluding indigenous forests under the age of six.

Following public feedback from forestry in the ETS cost recovery consultations in 2023 and 2024, and as a result of engagement with the Reference Group, we have considered alternative options for how the annual charge could be distributed across participants.

### Status quo – One per hectare annual charge rate across the next three years (preferred option)

If the status quo approach to allocating the annual charge continues, the annual charge will distribute the revised total annual charge cost of \$9.95m across participants. This would see the annual charge reduced from \$14.90 to \$10.25 per hectare. Noting that the \$10.25 per hectare would only apply if the preferred option of ‘reducing and time limiting the annual charge for forests that no longer report changes in carbon stock’ is not implemented – this option, and its impact on the annual charge is further explained in the next section.

The annual charge for the next three years has been forecast to decrease primarily due to projected increases in ETS participation (meaning the annual charge will be distributed across a greater number) and an increase in efficiency for how forestry in the ETS is administered. The \$10.25 rate reflects an average of these costs across three years. This means the annual charge would remain at \$10.25 for the next three years. It would then be reviewed in three years’ time for the next review of cost recovery settings.

The below table provides a breakdown of what makes up the \$10.25 per hectare annual charge.

**Table 8: breakdown of per hectare annual charge costs**

| <b>Service</b>                       | <b>Annual charge, 3-year period</b> |
|--------------------------------------|-------------------------------------|
| <b>Compliance</b>                    | \$1.11                              |
| <b>Education</b>                     | \$0.35                              |
| <b>Customer enquiries</b>            | \$1.01                              |
| <b>Reviews of Decision</b>           | \$1.22                              |
| <b>IT management</b>                 | \$3.99                              |
| <b>IT improvements</b>               | \$1.64                              |
| <b>System enablers</b>               | \$1.67                              |
| <b>Return of accumulated surplus</b> | <i>-\$0.72</i>                      |
| <b>Total</b>                         | \$10.25 <sup>11</sup>               |

<sup>11</sup> Table does not sum precisely due to rounding.

### Option two – annual charge rate varied by year

The annual charge could be adjusted each year to reflect the forecast decrease in annual charge costs. The decrease is primarily driven by the forecast increase in participation in the ETS (which would mean costs are divided by a greater number of participants). Instead of one rate over the next three years, the annual charge could be adjusted each financial year. The rates for the next three years, based on the status quo approach to allocation of the annual charge is outlined in the table below.

**Table 9: options for how a reduced per hectare annual charge is implemented**

| Financial year   | Option 1 – rate varies by year |
|------------------|--------------------------------|
| From 1 July 2026 | \$10.64                        |
| From 1 July 2027 | \$10.24                        |
| From 1 July 2028 | \$9.89                         |

### Recommended option

The preferred option (the status quo), which averages out the annual charge costs into one per hectare rate of \$10.25 across three years is the preferred option as this is the simplest to administer. It also reduces the incentive to “time” applications for registering or adding additional forest land to the ETS within a mandatory emissions return period to pay less annual charge.

Varying the annual charge rate each year would bring additional complexity for participants and could make planning for anticipated costs more complicated. Option two could also lead to a need for greater variation in annual charge costs, if we see an unexpected variation in assumptions that underpin forecast (for example, if new participation rates vary significantly from what is forecast).

The section below outlines an alternative option to how the annual charge is allocated across participants. This option is further explained below, for simplicity, the impacts will assume that the preferred approach of a single annual charge rate applied across three years in implemented.

## Reduced and time limited annual charge for forests that no longer report changes in carbon stock

### Problem definition

There are three types of forest that reach a point where they drive a lesser demand for annual charge services and receive a reduced benefit from annual charge services. This occurs when the forest land reaches a point of no longer reporting on changes in carbon stock, and therefore, is no longer able to earn New Zealand Units (NZUs). While the forest no longer reports changes in carbon stock, it remains in the regulated system, and emissions returns are still required to be submitted. Forests that fall into this category are:<sup>12</sup>

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<sup>12</sup> There are other types of forest that do not report changes in carbon stock, however, for the purposes of this document “forests that no longer report changes in carbon stock” only refers to the types of forests that are listed.

- permanent forests that have reached the end of their default carbon tables or participant specific tables;<sup>13</sup>
- stock change accounting forests that have reached the end of their default carbon tables or participant specific tables, and no harvesting of the forest occurs; and
- averaging accounting forests that have reached their average age.

Participants with the above forest types are still required to submit emissions returns, however they will not be reporting on changes in carbon stock if no harvesting or deforestation occurs. As there are fewer changes happening in these forests, participants are less likely to require annual charge services in relation to this land.

Feedback received through public consultation in 2023, 2024 and engagement with the Reference Group strongly suggested that those who are not receiving NZUs are receiving less benefit than those who are receiving NZUs and therefore should pay a lower (or no) annual charge rate. This issue has also been discussed as the annual charge “in-perpetuity” issue.

## Options analysis

We have examined all components of the annual charge to identify whether “forests that no longer report changes in carbon stock” will be using those components.

Table 11 below outlines the way in which “forests that no longer report changes in carbon stock” either benefit less from the component of the annual charge or drive less demand for the component of the annual charge.

There are two options alongside the status quo for how “forests that no longer report changes in carbon stock” are charged the annual charge:

- **Status quo:** all participants including those with “forests that no longer report changes in carbon stock” pay the full annual charge rate in-perpetuity.
- **Option two (preferred):** participants with “forests that no longer report changes in carbon stock” pay a reduced annual charge for 10 years and then are no longer required to pay the annual charge.
- **Option three (non-feasible):** participants with “forests that no longer report changes in carbon stock” pay no annual charge.

We do not consider option three to meet cost recovery principles. It does not reflect that participants with these forests use and benefit from some annual charge services. This option may also not meet the principle of equity. It would result in stock change participants, as a group, contributing significantly more to annual charge costs, despite not receiving a greater overall net benefit. Option two is described in more detail below.

### Option two – reduced annual charge for 10 years for “forests with no reported changes in carbon stock”

Participants with “forests with no reported changes in carbon stock” would pay an annual charge rate at 55 percent of the full rate. This rate has been calculated to reflect the assessment of how these forests drive and benefit from annual charge services set out in table 11.

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<sup>13</sup> When forests reach the end of default carbon tables, or the end of participant specific tables, no further changes in carbon stock can be reported for this forest in the ETS. This means the forest no longer earns NZUs.

This assessment is based on assumptions about the services that will be used because very few forests have reached the point of “no longer reporting changes in carbon stock”. We have applied either no discount, a full discount, or a 50 percent discount to each service component given the uncertainty and low level of data.

**Table 10: assessment of benefit received by annual charge components for “forests that no longer report changes in carbon stock”.**

| Annual charge component      | Benefits for “forests with no reported changes in carbon stock”   | Proposed contribution of full | Percent annual charge | Proportion for “forests with no reported changes in carbon stock” |
|------------------------------|---|-------------------------------|-----------------------|---|
| Education                    | Participants still have obligations, such as notification of Transmission of Interest, however the education requirements are lessened.   | 50%                           | 3.20%                 | 1.6%  |
| Compliance                   | Participants still need to remain compliant with some of the compliance services (transmissions of interest), but not others (correct submission of unit entitlement).  | 50%                           | 9.99%                 | 4.99%   |
| Customer enquiries           | Participants are less likely to make customer enquiries, as they are likely to have a better understanding of their obligations. However, some enquiries to support complex scenarios are likely.   | 50%                           | 9.06%                 | 4.53%   |
| Reviews of Decision          | Reviews of Decision primarily relate to land eligibility decisions, or penalties. “Forests with no reported changes in carbon stock “are very unlikely to be subject to a Review of Decision, as they have already been determined eligible, and are unlikely to submit an incorrect return in relation to this land (which could trigger a penalty). | 0%                            | 11.05%                | 0%  |
| IT management                | Ensuring the system continues to function well as intended is important for participants to continue with their residual reporting obligations.   | 100%                          | 36.33%                | 36.33%  |
| IT improvements              | Participants will not be requiring or benefitting from new functionality that supports those working more directly and frequently with forestry in the ETS.   | 0%                            | 15.11%                | 0%  |
| System enablers              | Participants still benefit from some of the system enabling activities.   | 50%                           | 15.2%                 | 7.6%  |
| <b>Overall contribution:</b> |   |                               |                       | <b>55.05%</b>   |

As noted, participants with “forests with no reported changes in carbon stock” still use and benefit from some services that are included in the annual charge. MPI proposes that these participants pay a reduced annual charge of 55 percent of the full rate, for two mandatory emissions return periods (totalling approximately 10 years) in the financial year following the mandatory emissions return that is submitted after:

- averaging accounting forest has reached its average age;

- a permanent forest has reached the end of the default carbon tables or participant specific tables; or
- stock change accounting forests reach the end of the default carbon tables or participant specific tables, as long as the forest is not harvested.

If this option is implemented, the application of a reduced annual charge rate will be set on a mandatory emissions return basis (as opposed to on a yearly basis). The first annual charge invoice following the end of the mandatory emissions return period will reflect a reduced rate.

We also propose that after two mandatory emissions return periods (or 10 years following the start of the mandatory emissions return period in which the reduced annual charge rate is applied) these forests will then no longer be required to pay any annual charge. This reflects that these forests benefit less from annual charge services, and that these forests have not been earning NZUs.

We are proposing a reduced charge for 10 years, or two mandatory emissions return periods to:

- balance equity with stock change participants who are required to continue paying the annual charge in-perpetuity, if they continue to harvest;
- to ensure that the proposed option reflects that participants still benefit from services for forestry in the ETS, even if they no longer report on changes in carbon stock, and even if they are no longer earning NZUs; and
- to ensure the annual charge is not applied in-perpetuity for forests that no longer report changes in carbon stock and therefore are no longer earning NZUs.

Given the limited data on “forests that no longer report changes in carbon stock”, 10 years or two mandatory emissions return periods has been chosen as an estimate amount of time that would be appropriate to continue charging an annual charge at a lower rate.

If a participant with a stock change forest that is subject to a reduced charge, or no longer required to pay any charge, harvests that forest, they must resume reporting on changes in the forest’s carbon stock. This reporting will “trigger” the full annual charge rate to apply, as these participants would then be benefiting from a greater level of service. The full annual charge rate would apply following the end of the mandatory emissions return period in which the harvest occurred, until they reach a point where there are no reported changes in carbon stock.

## Conclusion

This proposal may better meet cost recovery principles as it may more equitably reflect the drivers and benefits of annual charge services. It may be less equitable to charge forests that are interacting less with annual charge components as they are no longer reporting changes in carbon stock.

This option also ensures that participants are not required to pay an annual charge indefinitely, even after they stop earning NZUs. MPI considers this an appropriate balance for distributing annual charge costs based on information held. If participants with “forests that no longer report on carbon stock changes” pay less, others (for example, harvesting stock change participants that do not meet the criteria) will pay more, as the total cost to be recovered through the annual charge will remain the same.

Given the impact on other participants, and that forests that no longer report changes in carbon stock are still submitting emissions returns, benefitting from the maintenance of the integrity of the ETS, and using the IT system for things included the ongoing storage of forest

data, it is appropriate to have a phase out period (the reduced annual charge) rather than immediately excluding these forests from the annual charge.

MPI considers that this approach better reflects cost recovery principles but will continue to monitor the appropriateness as more data is collected when more forests reach the point of no longer reporting changes in carbon stock.

**Implementation**

Under this approach, annual charge rate changes would be calculated based on the status of forest land from the previous mandatory emissions return, regardless of whether a provisional return is submitted. This ensures equal treatment of participants and avoids incentives to submit provisional returns when a participant would otherwise choose not to.

There are several design choices for how this option could be implemented that will need to be decided on to make sure the costs do not outweigh the benefits. It is likely that the reduced or removal of the annual charge will be applied at a carbon accounting area level as this is the simplest and lowest cost to implement.

There are some data gaps held by MPI including some limitations of forest type and age data. Implementation will require some additional participant reporting obligations, and the potential need to declare information to MPI, for example, if a participant is registered with forest land under stock change accounting, but have reached the end of their carbon tables and do not intend to harvest, they may need to declare this to MPI to be eligible for the reduced rate, followed by no annual charge.

**Impact of annual charge proposals**

The table below outlines the anticipated revenue from the annual charge, based on the preferred option of one rate across three years.

**Table 11: revenue and expenditure of annual charge – actual and forecast**

|  | Forecast<br>2025/26 | Forecast<br>2026/27 | Forecast<br>2027/28 | Forecast<br>2028/29 |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>Opening balance</b>                         | -\$702,666          | \$1,936,408         | \$1,249,384         | \$905,963           |
| <b>Revenue</b>                                 | \$10,802,500        | \$9,245,339         | \$9,569,159         | \$9,877,559         |
| <b>Expenditure</b>                             | \$9,313,012         | \$9,947,590         | \$9,927,806         | \$9,914,227         |
| <b>Surplus / deficit</b>                       | \$1,489,488         | -\$687,024          | -\$343,420          | -\$21,441           |
| <b>Transfer of surplus from service fees</b>   | \$1,149,586         |                     |                     |                     |
| <b>Memorandum closing position at year end</b> | \$1,936,408         | \$1,249,384         | \$905,963           | \$884,522           |

If the annual charge is reduced in line with modelled costs, but no reduced and time limited annual charge was applied to forests that no longer report changes in carbon stock, the annual charge would be reduced from \$14.90 per hectare to \$10.25 per hectare.

If the preferred option to reduce and time limit the annual charge is implemented, it would result in increasing the per hectare annual charge from \$10.25 to \$10.28 per hectare (a \$0.03 per hectare increase). Once a participant’s forest reaches the point of no longer reporting changes in carbon stock, the annual charge in relation to this land would reduce to

55% of the full rate (\$5.65 per hectare at today’s prices). This is based on a forecast of 2,000 hectares being registered at the end of the 2025 mandatory emissions return period.

The first participants with forestry in the ETS that will be eligible for no annual charge under this proposal would not be invoiced from 2036 onwards. As more forest land reaches the point of no longer reporting changes in carbon stock, there will be fewer participants that will be required to pay the annual charge, meaning fewer participants to spread the annual charge costs across. By 2046, it is forecast that the annual charge would need to increase by 4.3% (the equivalent of \$0.44 per hectare at today’s prices) for those who do pay the annual charge.

However, it is also possible that the increased complexity of this option will require additional resourcing and an increase in costs to support it. If this option is implemented, MPI will monitor the cost of resourcing this option and may update cost recovery settings as required.

**Impact to the annual charge if there are changes from modelled forecasts**

These proposals are based on the following forecast increases in hectares of forest land registered in the ETS.

**Table 12: actual and forecast hectares of forest land registered in the ETS**

| Financial year        | Equivalent hectares charged (actual and forecast) |
|-----------------------|---|
| FY24/25 actual        | 583,970   |
| FY25/26 <sup>14</sup> | 725,000   |
| FY26/27               | 899,352   |
| FY27/28               | 930,852   |
| FY28/29               | 960,852   |
|                       | <b>2,791,056</b>                                  |

If actual registered hectares vary significantly from this forecast, it will impact the per hectare annual charge rate. As an example, if hectares registered in the ETS are 10,000 less per year than assumed in modelling forecasts, an increase of \$0.25 to the annual charge would be required to break even over the following three years.

Likewise, the proposals in this document assume a level of cost recoverable services being used. The below table outlines the forecast number of “cost recoverable hours”, anticipated to be recovered through service fees.

**Table 13: forecast cost recoverable hours from service fees**

| Financial year   | Cost recoverable hours (actual and forecast) |
|------------------|--|
| FY24/25 – actual | 20,319                                       |
| FY25/26          | 22,200                                       |
| FY26/27          | 14,122                                       |
| FY27/28          | 14,122                                       |
| FY28/29          | 14,122                                       |

<sup>14</sup> FY25/26 is the forecast for the whole year, and accounts for the end of the mandatory emissions return period, which correlates with an uptake in the number of hectares of forest land registered in the ETS.

Significant changes to these forecast hours will also result in a change to the annual charge. For example, if hours billed in the ETS are 1,000 less per year than assumed in modelling forecasts, an increase of \$0.13 to the annual charge would be required to break even over the following three years.

## Approach to part charges

### Background

The full annual charge rate applies to participants with land registered on 1 July of any year. If a participant registers additional land after 1 July of any given year, they are subject to part charges.<sup>15</sup> Participants in this scenario receive a pro-rated annual charge invoice for the added land, that is proportionate to the number of remaining days in the financial year.

Under current cost recovery settings, part charges only apply to existing participants who register additional land after 1 July. There are no part charges for participants who register forest land for the first time in the ETS (new participants) part way through a financial year. New participants only begin paying the annual charge for the first year that they are registered on 1 July. This was not the original policy intent behind part charges for the annual charge.<sup>16</sup>

### Proposal

MPI proposes to introduce part charges for new participants to ensure equitable division of costs. It is less equitable and justifiable to charge existing participants part charges for registering additional land into the ETS after 1 July of any year but not apply the same approach to new participants who register part way through a year.

Introducing part charges also ensures that annual charge costs are appropriately apportioned across participants. Spreading the annual charge across more people also has the added benefit of reducing the per hectare rate over time, and ensures that existing participants are not subsidising annual charge costs for new participants.

### Impact

The impact of part charges has been modelled to contribute \$15,200 in revenue each year for the next three financial years (\$45,600 total across the next three years). This modelling was not included in the consultation document. For simplicity, all modelled numbers impacted by part charges in this document have been based off the assumption that part charges are introduced.

<sup>15</sup> This includes land that is constituted after 1 July as a result of a review of decision.

<sup>16</sup> Paragraph 36 in the *Tranche Two Changes to Cost Recovery Settings in the Forestry Component of the New Zealand Emissions Trading Scheme* cabinet paper outlines the original intent to charge part charges to all participants who register or add land to the ETS. This can be found at [mpi.govt.nz/dmsdocument/59305-Tranche-Two-Changes-to-Cost-Recovery-Settings-in-the-Forestry-Component-of-the-New-Zealand-Emissions-Trading-Scheme-Cabinet-paper](https://mpi.govt.nz/dmsdocument/59305-Tranche-Two-Changes-to-Cost-Recovery-Settings-in-the-Forestry-Component-of-the-New-Zealand-Emissions-Trading-Scheme-Cabinet-paper)

Modelling for the revenue of part charges is less reliable, as it is not predictable when within a financial year a participant may choose to register land and be subject to part charges, therefore forecasting is less precise.

## Proposals for existing service fees

### Proposed changes to the hourly rate

#### Background

Te Uru Rākau – New Zealand Forest Service recovers the cost related to services directly from applicants or participants for forestry in the ETS, through the use of fees for service when the work is directly attributable to a specific individual. The full list of existing service fees can be found in Appendix one alongside the current rate and proposed new rate. Fee prices are set based on the average length of time it takes to perform the activity, multiplied by a standard hourly rate. The hourly rate is set to recover the full cost associated with providing the activity in most cases.

The hourly rate is calculated by taking staff personnel costs (including salary and sick/annual/public holiday leave), staff overheads (including equipment and software required for staff to carry out their jobs), a portion of depreciation of the IT system and operating costs. This is then averaged out to calculate the hourly rate.

#### Proposed new hourly rate

Under current cost recovery settings, the hourly rate is \$165 per hour. This hourly rate needs to be updated to reflect the current costs of administering forestry in the ETS.

We propose to update the hourly rate to \$133.83 per hour, comprised of the following:<sup>17</sup>

**Table 15: breakdown of the hourly rate**

| Hourly rate break down        | Costs           |
|-------------------------------|-----------------|
| <b>Personnel costs</b>        | \$76.10         |
| Staff overhead costs          | \$26.55         |
| Depreciation of the IT system | \$18.72         |
| Operating costs               | \$12.46         |
| <b>Total</b>                  | <b>\$133.83</b> |

There are two options for how an updated hourly rate could be applied:

- Option one is to have one hourly rate of \$133.83 to be applied for three years, that is an average of the expected hourly rates across the next three years.
- Option two is to have the hourly rate increase each year, primarily to reflect inflation and anticipated growing participation.

**Table 16: hourly rate options**

| ETS – service fees | Option one (preferred) – One rate across all three years | Option two – Rate varies by year |
|--------------------|--|----------------------------------|
| From 1 July 2026   | \$133.83   | \$131.20                         |

<sup>17</sup> This calculation is based on FY2025/26 forecasted costs.

|                  |  |          |
|------------------|--|----------|
| From 1 July 2027 |  | \$133.74 |
| From 1 July 2028 |  | \$136.53 |

Option one is the preferred option as it reduces complexity and provides greater transparency and predictability of service fees for participants. This option would ensure that service fees remain the same for at least three years (until a future review of cost recovery settings is undertaken), as opposed to the administrative burden of having slight increases in service fees for each year.

### Impact on proposals

All proposals for adjustments to existing service fees and proposed new service fees included in this document have been calculated based on the proposed preferred option of an “average” hourly rate (option one above) for simplicity. This is because the proposed new hourly rate better reflects the actual costs of administering forestry in the ETS. This means that if final policy decisions are to create three different hourly rates for 2026/27/28, the proposed service fees outlined in the following section would be slightly different and would increase each year.

### Review of time to perform service fee activities

The existing fees for service have been in place since 12 January 2023 and 19 October 2023 (Tranche 1 and 2 of cost recovery settings). We have reviewed the time to complete these services as part of a full review of cost recovery settings.

The review leading to consultation on options sought to validate the current length of time it takes to perform the services. Fees are set based on the number of hours they take to complete, multiplied by an hourly rate (as outlined above).

The services that have been reassessed represent over 95 percent of staff time spent on fee for service activities. The services which have not been reassessed are due to low / no observations during the monitoring period.

The reassessed services with revised lengths primarily fall into three broad categories:

- **Applications to register:** since the fees were proposed in 2022 (implemented January 2023), we have put in place significant efficiencies in processing applications to register and add land. These efficiencies are partly offset by the additional work required to process applications as a result of the Climate Change Response (Emissions Trading Scheme – Forestry Conversion) Amendment Act 2025.
- **FMA activities:** there has been a reduction in hours for FMA related services – this reflects the efficiencies work that has gone into streamlining FMA processes.
- **Changing status of land already in the ETS:** services most likely to increase in time are those related to changing land status, removing land from the ETS, and deregistration. These tend to be complicated cases.

This table only includes services where the assessment of hours underpinning the service fee has resulted in a change. The full list of service fees, including services where the hours have not changed (but the hourly rate has) is outlined in Appendix one.

**Table 17: list of existing service where the revised hours to complete the service have changed.**

| Service   | Existing service hours | Proposed revised hours | Change | Rationale   |
|---|------------------------|------------------------|--------|---|
| Fee for applying to register post-1989 forest land for: <sup>18</sup>   |                        |                        |        |   |
| Less than 10 ha   | 10*                    | 6                      | ↓      | Post <i>Tranche 2 cost recovery public consultation</i> , Cabinet agreed to leave the existing charges in place. Despite the length of time being assessed at 10 hours, the charge more closely resembled 3 hours.                            |
| 10–49 ha  | 11                     | 8.5                    | ↓      | Reduced hours due to efficiencies and revised assessed effort.  |
| 50–99 ha  | 12                     | 9.5                    | ↓      | Reduced hours due to efficiencies and revised assessed effort.  |
| Fees for applying to add more land into the ETS for: <sup>19</sup>  |                        |                        |        |   |
| Less than 10 ha   | 10*                    | 6                      | ↓      | Post <i>Tranche 2 cost recovery public consultation</i> , Cabinet agreed to leave the existing charges in place. Despite the length of time being assessed at 10 hours, the charge more closely resembled 0.5 hours.                          |
| 10–49 ha  | 11                     | 8.5                    | ↓      | Reduced hours due to efficiencies and revised assessed effort.  |
| 50–99 ha  | 12                     | 9.5                    | ↓      | Reduced hours due to efficiencies and revised assessed effort.  |
| Removing all your post-1989 forest land from the ETS and deregistering <sup>20</sup>  | 3.4                    | 4.5                    | ↑      | This change reflects a more accurate assessment of the work involved.   |
| Applying to remove one or more parts of one or more carbon accounting areas from the ETS (standard forestry only) <sup>21</sup> | 6.5                    | 7.5                    | ↑      | This change reflects a more accurate assessment of the work involved, as processing removal of part carbon accounting areas requires additional steps to whole carbon accounting areas. For example, an emissions return must be processed.   |
| Applying to move post-1989 forest land registered as standard forestry to permanent forestry <sup>22</sup>                      | 4.5                    | 6                      | ↑      | This charge reflects a more accurate assessment of the work involved and also reflects that 2 other services are involved in delivering this service – processing an emissions return (1 hour) and add / remove land status notice (2 hours). |
| Requesting a set of sample plots (FMA) <sup>23</sup>  | 2.5                    | 1.5                    | ↓      | Reduced hours due to efficiencies and revised assessed effort.  |
| Requesting an additional set of   | 2.5                    | 1.5                    | ↓      | Reduced hours due to efficiencies and revised assessed effort.  |

<sup>18</sup> Schedule 6, 1 of the Forestry Regulations

<sup>19</sup> Schedule 6, 12 of the Forestry Regulations

\* This reflects the assessed hours to complete the service, but does not reflect the existing service fee, due to Cabinet previously agreeing not to update the service fee for less than 10-hectare applications.

<sup>20</sup> Schedule 6, 2 of the Forestry Regulations

<sup>21</sup> Schedule 6, 14 of the Forestry Regulations

<sup>22</sup> Schedule 6, 21 of the Forestry Regulations

<sup>23</sup> Schedule 6, 27 of the Forestry Regulations

|   |    |   |   |   |
|---|----|---|---|---|
| sample plots (FMA) <sup>24</sup>  |    |   |   |   |
| Asking us to create participant-specific tables based on your forest measurements (FMA) <sup>25</sup> | 12 | 7 | ↓ | Reduced hours due to efficiencies and revised assessed effort.  |
| Apply for an emissions ruling <sup>26</sup>   | 3  | 4 | ↑ | This service was intended to be charged at 4 hours, an error during the implementation of <i>Tranche 2 cost recovery</i> updates to regulations resulted in 3 hours instead of 4 being applied to this service. |

## Impact

The table below outlines the expected revenue and expenditure of the revised service fees. The surplus generated from both fees and annual charge has been split between those who have generated the surplus based on their forecasted future use of the ETS services.

**Table 18: revenue and expenditure of service fees – actual and forecast**

|   | Forecast<br>2025/26 | Forecast<br>2026/27 | Forecast<br>2027/28 | Forecast<br>2028/29 |
|---|---------------------|---------------------|---------------------|---------------------|
| Opening balance                         | \$626,328           | \$581,270           | \$434,908           | \$252,793           |
| Revenue                                 | \$3,663,000         | \$1,895,146         | \$1,895,146         | \$1,895,146         |
| Expenditure                             | \$2,558,472         | \$2,041,507         | \$2,077,261         | \$2,116,761         |
| Surplus / deficit                       | \$1,104,528         | -\$146,362          | -\$182,115          | -\$221,616          |
| Transfer of surplus from service fees   | -\$1,149,586        |                     |                     |                     |
| Memorandum closing position at year end | \$581,270           | \$434,908           | \$252,793           | \$31,177            |

## Proposed new service fees

In this review of cost recovery settings, services that provide a private benefit, and do not have an existing service fee have been identified. Introducing service fees for the below services is the preferred option to reflect private benefit. In some cases, the proposed fees ensure a more consistent approach to cost recovery by ensuring similar services are treated the same way in cost recovery settings.

The proposed new service fees have been assessed against the cost recovery principles. A summary of this assessment is included with each proposed fee below. A more detailed

<sup>24</sup> Schedule 6, 28 of the Forestry Regulations

<sup>25</sup> Schedule 6, 29 of the Forestry Regulations

<sup>26</sup> Section 4 of the Climate Change (Emissions Rulings: Fees and Charges) Regulations 2010

analysis of the proposed options against cost recovery principles can be found in Appendix five.

All proposed new fees have been calculated using the preferred option for a revised hourly rate of \$133.83 per hour. They are calculated by multiplying the average number of hours it takes to carry out the service (in most cases, except where a nominal fee approach is preferred to balance unintended consequences) by the proposed hourly rate.

**Table 19: summary of preferred options for proposed new service fees**

| Service   | Average hours to complete   | Proposed fee based on \$133.83 hourly rate   |
|---|---|--|
| Assessing an emissions return when the participant has failed to submit a required emissions return | 3 hours as a conservative estimate of staff time prior to penalty assessments | \$401.49   |
| Amending an emissions return when the participant has submitted an incorrect emissions return       | 3 hours as a conservative estimate of staff time prior to penalty assessments | \$401.49   |
| Removal of 1 or more whole carbon accounting areas for permanent forests                            | 3 hours of staff effort   | \$401.49   |
| Removal of 1 or more part carbon accounting areas for permanent forests                             | 7.5 hours of staff effort   | \$1,003.73   |
| Notification that post-1989 offset deforestation is complete  | 1.5 hours of staff effort   | \$200.75   |
| Removing land status notice   | 2 hours of staff effort   | \$373.75 (2 hours plus an additional \$106.09 to cover the LINZ fee for removing land status notices). |
| Reviews of decision   | 3 hours, a nominal amount of hours akin to a court filing fee                 | \$401.49   |
| LUC class 6 ballot application  | 0.5 hours of staff effort   | \$66.92  |

**Proposed new service fees for assessing or amending the emissions a participant should have reported**

**Background**

Participants with forestry in the ETS are required to submit emissions returns that measure and report their emissions (deforestation) or removals, to receive the NZUs they are entitled to or surrender the NZUs they are liable for.<sup>27</sup> Required emissions returns are submitted for mandatory emissions return periods, temporary adverse events, deforestation, deregistration, and transmission of interests.

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<sup>27</sup> Sections 65, 186B, 187 CCRA

Where there is non-compliance with the submission of an emissions return, Te Uru Rākau – New Zealand Forest Service also provides an additional compliance service (authorised under the CCRA) which is to assess or amend the emissions return:

- Assess – when the participant has failed to submit a required emissions return by the due date, including in relation to a transmission of interest.<sup>28</sup>
- Amend – when the participant has submitted an incorrect (incomplete or inaccurate) emissions return and so Te Uru Rākau – New Zealand Forest Service must amend the emissions return to make it accurate.<sup>29</sup>

Separate to any service fee, financial penalties may apply to sanction non-compliance and deter future non-compliance when the participant failed to take reasonable care.<sup>30</sup> Penalties have a separate purpose to fees. Penalty revenue cannot be used for cost recovery. Service fees are used to cover the costs of providing a service. Any assessment on whether a penalty should apply in instances where a participant fails to submit an emissions return, or submits an incorrect emissions return, is considered a separate compliance service to assessing or amending emissions returns.

## Description of service

### *Assessments*

Reporting on the emissions that a participant should have reported on themselves (through an emissions return) is a service that Te Uru Rākau – New Zealand Forest Service staff carry out to enable the calculation of any liabilities or entitlements to the participant and contributes to an assessment on whether a penalty should apply or not.

Te Uru Rākau –New Zealand Forest Service will also carry out an assessment if no emissions return is submitted when a transmission of interest occurs. This assessment is done as a complete emissions return is required to process the transmission of interest.<sup>31</sup>

Under the compliance “VADE” model, calculating an emissions return on a participant’s behalf is a service provided to “assist” participants to be compliant. Any penalty that is applied after this service falls under the “enforced” element of the compliance model and is a Crown funded service.<sup>32</sup>

### *Amendments*

When the participant has submitted an incorrect (incomplete or inaccurate) emissions return, that would result in over or underclaims of NZUs,<sup>33</sup> Te Uru Rākau – New Zealand Forest Service may amend and correct the emissions return to ensure accurate emissions reporting, and accurate allocation or surrender of NZUs. This is a service that Te Uru Rākau – New Zealand Forest Service provides to support “assisting” participants to comply under the compliance “VADE” model. Any penalty that is applied after this service falls under the “enforced” element of the compliance model and is a Crown funded service.

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<sup>28</sup> Section 120 CCRA. In instances where a participant fails to submit an emissions return in relation to a transmission of interest, the transferor (who is selling the land) will be charged the fee for an assessment of an emissions return.

<sup>29</sup> Section 120 CCRA

<sup>30</sup> Section 134C CCRA

<sup>31</sup> A transmission of interest occurs when a registered participant transfers their registered interest to another person (for example, if they sell their ETS registered forest land).

<sup>32</sup> Section 134A CCRA

<sup>33</sup> Section 120 CCRA

## Current approach to cost recovery

Under the current cost recovery settings, the effort to calculate an emissions return on a participant's behalf is included in the annual charge as it helps maintain overall integrity of the system. This is inequitable for the club of participants who:

- cover the cost of additional administration caused by individual participants not complying with requirements for an emissions return; and
- cover the cost of submitting an emissions return when individual participants avoid paying the service fee by failing to submit their return themselves.

## Options

- **Option one – status quo:** continue funding the assessment of a non-submitted emissions return through the annual charge.
- **Option two:** charge participants a three-hour fee for assessing an emissions return on a participant's behalf when the participant has failed to submit a required emissions return. At an hourly rate of \$133.83, this would result in a fee of \$401.49.
- **Option three:** charge participants a three-hour fee for amending an emissions return on a participant's behalf, when the participant has submitted an incorrect emissions return. At an hourly rate of \$133.83, this would result in a fee of \$401.49.

Option two and option three can be implemented alongside each other.

These new service fees are proposed based on a conservative estimate of the time it takes for staff to carry out these processes and does not reflect the time it takes to determine if a penalty applies and prepare and send penalty notices. This is a conservative estimate of time, as the service also includes research, record updates and sometimes an assessment by spatial staff to update forest details. As data on how long it takes staff to carry out these services improves, future estimates of staff time to complete this service will be more accurate. As the data is limited, and to ensure the costs are justified, we are only proposing a conservative estimate of time, total costs to carry out this service may be higher in future cost recovery updates. Amendments and assessments still contribute to maintaining the overall integrity of forestry in the ETS, so some club funding remains justified.

## Assessment against cost recovery principles

As there is a private benefit received by the participant who requires an amendment or an assessment of their emissions return, and the proposed fees do not exceed the cost of providing the service, option two and option three are transparent and justifiable. Options two and three would also increase equity compared to the status quo, as participants as a club would no longer carry the full cost of a service that has a private benefit and club benefit.

## Summary and recommendation

A combination of option two and option three is the preferred option as it better meets cost recovery principles. Options two and three would increase efficiency and equity compared to the status quo as costs are more closely aligned with those who are driving the activity. This would reduce costs to other participants who currently cover the costs of non-compliant participants through the annual charge and support a consistent approach to charging for emission returns assessments and amendments. Option two would ensure that non-compliant participants who fail to submit an emissions return, and therefore avoid the fee for submitting an emissions return, no longer avoid this cost directly, and other participants

would no longer pick up these costs in the annual charge. This is important as it should not be 'cheaper' to be non-compliant.

If services fees for amendments and assessments is implemented, these fees would not be implemented until 1 January 2027, to ensure that there is time to prepare following the end of the mandatory emissions return period, and to give time to provide education to the sector to ensure understanding of these fees.

## Proposed Service fees for removing permanent forest carbon accounting areas

### Description of services

Participants with forest land registered in the ETS in the permanent forest category may request that a whole or part of a carbon accounting area be removed from the ETS. This may be because the land is no longer eligible, or the participant may have decided not to re-establish some forest land after harvesting.

Some cases to remove land from the permanent category require approval from the Minister of Climate Change. The time it takes to seek the Minister's permissions; has not been reflected in the proposed service fee.

### Current approach to cost recovery

Under current cost recovery settings, there is no fee for the administration of removing whole or part carbon accounting areas from the permanent forestry category.

The two existing fees for whole or part removals of carbon accounting areas for standard forestry were implemented prior to the introduction of the permanent forestry category. We are now proposing to introduce this fee for permanent forests to ensure the costs of delivering the services are appropriately recovered and are aligned with the principles of cost recovery.

### Options

- **Option one – status quo:** no change, costs will continue to be recovered through the annual charge.
- **Option two:** introduce a three-hour fee for the removal of one or more whole carbon accounting areas for permanent forests, and a six-and-a-half-hour fee for the removal of one or more parts of a carbon accounting area. At an hourly rate of \$133.83, this would result in a fee of \$401.49 for removal of one or more whole carbon accounting areas, and \$869.90 for one or more part carbon accounting areas.

The two different fees in option two reflect that there is more staff time involved in a part removal of a carbon accounting area, which requires an emissions return, as opposed to a full carbon accounting area removal, which does not require an emissions return to be processed. These fee prices are based on the average time it takes staff to carry out these services. It takes staff on average 3 hours to process the removal of one or more carbon accounting areas, and 7.5 hours for one or more parts of a carbon accounting area. These proposed fees align with the proposed updated fees for the same services under standard forestry.

### Assessment against cost recovery principles

As there is a private benefit received by the participant who is generating the need for the service of removing carbon accounting areas, and the proposed fee does not exceed the cost of providing the service, option two is both transparent and justifiable. Option two would increase equity compared to the status quo, as participants as a club would no longer carry the cost of a service that has a private benefit.

## Summary and recommendation

Option two of introducing new fees for permanent forestry participants who request to remove a whole or part carbon accounting area from the ETS is the preferred option. This option meets the cost recovery principles and ensures that fees for the same services are consistent, Option two aligns fees for permanent forestry with fees for standard forestry, where the services are the same.

## Proposed service fee for notification that post-1989 offset deforestation is complete

### Description of service

Participants with post-1989 forest land registered in the ETS may choose to deregister some or all of their registered forest land. The participant is subject to surrender liabilities if they deforest, unless they apply to offset their forest land by planting a new forest (of a similar size or carbon sequestration level) in a different location. Only forests registered under averaging accounting, or forest land that has reached its average age, are eligible to apply to offset deforestation.

Once a participant has successfully planted the offsetting forest land, they must notify Te Uru Rākau – New Zealand Forest Service under section 192J of the CCRA that the offset deforestation is complete. The operations and spatial staff confirm that the offset deforestation land has been successfully replanted, and that the offset land meets the requirements to successfully offset the deforestation of the original forest.

### Current approach to cost recovery

Under current settings, the costs associated with notifying that offset deforestation is complete is covered by the annual charge. However, in the 2024/25 financial year, there have been no cases of a participant notifying that post-1989 offset deforestation is complete. There is currently a service fee for the same service of notification of offset deforestation being complete, but for pre-1990 forests. This means the current approach to cost recovering for this service is inconsistent across types of forests.

### Options

- **Option one – status quo:** no change, costs will continue to be recovered through the annual charge.
- **Option two:** introduce a one-and-a-half-hour fee for the processing of a notification that post-1989 offset deforestation is complete. This proposed fee aligns with the proposed updated fee for the same service for pre-1990 forest land. At an hourly rate of \$133.83, this would result in a fee of \$201.

### Assessment against cost recovery principles

As participants receive a private benefit when they are able to offset their forest land and avoid surrender liabilities, and because the proposed fee does not exceed the cost of providing the service, option two is both transparent and justifiable. Option two would increase equity compared to the status quo, as participants as a club would no longer carry the cost of a service that has a private benefit and ensures alignment between costs for services for pre-1990 and post-1989 forests.

## Summary and recommendation

Option two is the preferred option as it better meets the cost recovery principles than continuing with the status quo. Efficiency and equity are increased under this option due to the allocative efficiency of charging a service fee for services that have a private benefit. It would also support aligning service fees to be consistent, as there is a service fee in relation to the same service for pre-1990 forest land.

## Proposed fee for removing land status notices

### Description of services

When forest land is registered in the ETS, a land status notice is required to be recorded on the record of title to indicate the land has obligations under the CCRA.<sup>34</sup> If the participant removes the forest land from the scheme, the notice is required to be removed as the land no longer has these obligations. It is important that, if MPI is requested to remove this notice and we have confirmed that it can be legally removed (that is, we are satisfied the type of forest land is no longer present on the property), we complete the process as quickly as possible to avoid holding up potential sales and purchase agreements. The delay of removing these notices can have significant financial impacts to the landowner.

When land is subdivided, land status notices are added to each area of subdivided land. If forest is removed from one of these titles, we may need to remove a land status notice – however, we may not be able to charge a service fee if the subdivided land is now owned by someone who is not a participant with forestry in the ETS.

It takes staff on average two hours to remove a land status notice. There is also an additional fee charged by LINZ to remove the notice of \$103.

### Current approach to cost recovery

Currently, the administrative costs associated with removing a land status notice, and the fee charged by LINZ for completing this service is cost recovered through the annual charge.

### Options

- **Option one – status quo:** no service fee, costs will be funded through the annual charge.  
**Option two:** introduce a two-hour fee for removing land status notices, plus an additional \$106.09 to cover the LINZ fee charged to MPI for removing a land status

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<sup>34</sup> This requirement is outlined in section 19 of the Forestry Regulations.

notice.<sup>35</sup> At an hourly rate of \$133.83, and including the LINZ fee, this would result in a fee of \$441.09.

### Assessment against cost recovery principles

As there is a private benefit received by the participant who drives the need for a removing land status notice, and the proposed fee does not exceed the cost of providing the service, option two is both transparent and justifiable. Option two would increase equity compared to the status quo, as participants as a club would no longer carry the cost of a service that has a private benefit.

### Summary and recommendation

Option two is the preferred option as it better meets the cost recovery principles compared to continuing with the status quo (option one). Allocative efficiency is increased by ensuring those who generate the demand for a service that has a private benefit are charged the costs associated with the service.

### Proposed fee for LUC Class 6 ballot applications

#### Description of services

From October 2025, there have been restrictions on how much exotic forest on Land Use Capability (LUC) class 1 to 6 land a person can register as post-1989 forest land in the ETS. These restrictions are intended to preserve high and medium versatility farmland for agricultural use.

Beginning in 2026, there will be two ballots each year for permits to register LUC class 6 land in the ETS. Initially, 15,000 hectares will be available each year through the ballot. Receiving a permit will allow the permit holder to apply to register this land in the ETS. Receiving a permit will not guarantee the forest land can be registered in the ETS – all other forestry in the ETS eligibility criteria must still be met.

People may choose to submit an application into a ballot to potentially receive a permit. Te Uru Rākau – New Zealand Forest Service staff must then:

- check that ballot applications meet the requirements;
- conduct the ballot; and
- provide notification of the results of the ballot.

Given the time between cost recovery decisions and the first ballots, this service fee is proposed to come into effect from 1 January 2027.

### Current approach to cost recovery

As this is a new service, there is no current approach to cost recovery settings.

### Options

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<sup>35</sup> This fee would be charged to the participant who drives the demand for the service, for example, the participant who is subdividing, selling their land, or de-registering forestry from the ETS.

- **Option one:** costs associated with processing ballot applications will be recovered through the annual charge.
- **Option two:** introduce a half-hour fee for submitting a ballot application form. At an hourly rate of \$133.83, this would result in a fee of \$66.90.

### Assessment against cost recovery principles

A service fee would reflect the private benefit ballot applicants receive from being able to apply to receive a permit. The fee does not exceed the cost to carry out the service, making a service fee both transparent and justifiable. It would not be equitable to recover from the Crown for a service the general public cannot access or benefit from.

Charging a service fee also increases allocative efficiency, as it will contribute to ensuring that applications that are submitted are of a high quality. If the service is free this could lead to an increased number of incorrect or incomplete applications, increasing the administrative costs of processing ballot applications. A fee will also partially mitigate the risk of speculative behaviour where people apply for, and receive, permits they do not intend to use, reducing the number hectares available to others with an intent to afforest and register in the ETS.

### Summary and recommendation

Option two is the preferred option as those who enter the ballot are the sole beneficiaries of the ballot. Once a permit is allocated, owners of that land are able to exercise exclusive property rights over that permit. This makes the system exclusionary, and justification is high to charge entry to the ballot as a private good. This is in contrast to the 25 percent restriction on LUC Class 1–6 land, which affects the ability of all registered participants to register additional land in the ETS on these classes.

## Proposed fee for Reviews of decisions

### Description of services

A Review of Decision is enabled by section 144 of the CCRA. Most services provided by Te Uru Rākau – New Zealand Forest Service can be subject to a Review of Decision. In practice, reviews have been about:

- decisions around land eligibility to register in the ETS;
- decisions to assess or amend an emissions return; and
- decisions to issue a penalty to a participant.

Reviews of Decision offer applicants to and participants with forestry in the ETS a low-cost pathway to challenge the regulator’s decisions. The next option available is the District Court (section 145 of the CCRA).

Reviews of Decision are a private good. The majority of reviews of decisions are for applications to register or add land. Only the applicant to register land benefits from a favourable outcome of the review. However, all who may register land benefit from knowing that there are safeguards in place that they can access if they were to apply to register the land. In this sense, the club benefits from the service existing, while an individual participant benefits from the resolution of their specific Review of Decision.

Reviews of Decision have natural justice considerations. These are the:

- right to be heard, by providing an application a fair opportunity to present their case against a decision by MPI, and
- right to an impartial decision-maker, free from bias.

Natural justice considerations support MPI minimising the barriers to access Reviews of Decision. However, reviews of decision do not necessarily mean that the decision was wrong, in some instances, new information becomes available or is provided from when the original decision was made, resulting in the original decision being revoked or varied. As this is how Reviews of Decision are often used, there are not always natural justice considerations involved.

### Current approach to cost recovery

Reviews of Decision are currently 50 percent funded from the Annual Charge, and 50 percent funded by the Crown. Crown funding was applied as a discount for Reviews of Decision that relate to applications lodged prior to 1 January 2023 and was in recognition of the additional effort and cost involved in resolving Reviews of Decision that originated in CCIS but are being resolved in Tupu-ake (historic reviews). This 50 percent Crown funding was an estimate for how much effort would be spent on historic reviews during the fee setting period.

We anticipate that historic reviews will be largely resolved by 30 June 2026.

### Options

- **Option one – status quo:** no change, Reviews of Decision costs will continue to be recovered through the annual charge (excluding historic reviews of decisions).
- **Option two:** introduce a small nominal fee of to reflect three hours of staff time for applying for a Review of a Decision relating to forestry. At an hourly rate of \$133.83, this would result in a fee of \$401.49.

### Assessment against cost recovery principles

As there is a private benefit to reviews of decision, and the proposed fee is less than the cost of providing the service, option two is both transparent and justifiable.

Currently, there is no disincentive to request a Review of Decision, meaning some participants “try their luck” with a Review of Decision to see if it will result in a more desirable outcome, as opposed to more “legitimate” requests for reviews of decision where evidence to support a change in decision is provided. This means that demand for Reviews of Decision may currently be higher than is economically efficient. A small fee will help improve economic efficiency by disincentivising extraneous reviews.

A service fee may disincentivise genuine Reviews of Decision for small land areas, impacting equity, even if those areas are a large proportion of the given application. The impact of this is mitigated by being a relatively marginal charge, which is lower than the (proposed) fee to apply to register land of 0–9 hectares.

### Summary and recommendation

The preferred option is option two, as this small fee would reflect the strong private benefit that an applicant receives, while recognising that there are natural justice considerations that

limit the desirability of recovering all costs associated with a Review of Decision directly from a participant and should remain recovered through the annual charge.

### Impact of proposed new fees

Based on the volume of these services from 2024/25, MPI have estimated that the total revenue that will be accumulated each financial year from proposed new services fees will be equal to approximately 756 hours.<sup>36</sup> At the single averaged hourly charge rate of \$133.83, this would result in approximately \$101,000 in cost recovered revenue.

### Impact analysis

The package of proposed options, which would reduce the annual charge from \$14.90 to \$10.25, reduce the annual charge for 10 years followed by no annual charge for forests that no longer report changes in carbon stock, and reducing the hourly rate from \$165 an hour to \$133.83, will have a positive impact on all forestry participants including Māori forest owners.

Very few service fees have been increased, however the fee for registering less than 10 hectares has significantly increased following the removal of a subsidy that was applied. This may reduce the incentive for small forestry participants to register less than 10 hectares of forest land, however the incentive in NZU is still greater than the cost, and the per hectare approach ensures that small forestry participants are paying a proportional amount.

### Impact on participation in forestry in the ETS

The proposals in this document are not anticipated to have an effect on ETS participation levels. Costs are largely being reduced, which may increase the incentive to register in the ETS, however it is unlikely to be significant enough to notably change decisions to register in the ETS. The proposals do however, provide some cost reductions for existing ETS participants. The benefit of NZUs will continue to be the primary factor in decisions to enter or leave the ETS.

### Impact on Māori

Māori have significant interests in forests as rangatira, kaitiaki, land and forest owners, workers, and business owners. Whenua Māori<sup>37</sup> (Māori freehold and customary land) is also disproportionately on remote, less versatile land compared to general land. This means that whenua Māori typically has limited land use options and forestry is generally the (marginally) best economic option. However, it is often held in smaller, fragmented titles, which can result in a higher cost per hectare with regards to cost recovery. Because nearly half of Māori freehold land is pre-1990 forest, this land falls largely out of scope of these proposals. However, the fees for applications to offset pre-1990 are proposed to be reduced (through reducing the hourly rate). This will have a positive impact on Māori pre-1990 forest landowners.

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<sup>36</sup> As the first LUC ballot has not yet occurred, MPI have applied a conservative estimate of 200 applications per ballot to calculate the above anticipated impact.

<sup>37</sup> Reflects terminology used in the Te Ture Whenua Maori Act 1993.

Māori post-1989 forest land owners and participants, along with all participants, will benefit from the reduced costs proposed in this document.

**Impact on the Crown**

It is proposed that the Crown would cover \$8.745 million in total costs for the 2026/27 financial year. The Crown is continuing to cover 80 percent of IT system costs as initially proposed in the 2024 updates to forestry in the ETS cost recovery settings. This will be reassessed in 2029.

These Crown covered costs outside of the IT system, reflect the public good functions in delivering the forestry ETS. The efficiencies found have allowed both costs for participants, and costs for the Crown to reduce compared to 2024.

**Consultation**

MPI released a Discussion Document to publicly consult on the proposed changes to cost recovery for participants with forestry in the ETS. Consultation ran for 3 weeks between 22 January 2026 and 13 February 2026. All participants were notified about the consultation through an ETS alert (an email newsletter).

Eighteen submissions were received from forestry companies or consultants, farmer/farming entities, forestry sector organisations, individuals and Māori and iwi organisations. In general, submitters were supportive of the reduction to the annual charge and agreed with the approach of moving costs out of the annual charge to service fees to ensure those who benefit from a service, pay for that service.

**Key feedback**

Key feedback for each proposal has been summarised in the table below. The table below does not include every option proposed during consultation, where MPI and submitters share a preferred option, other alternative options have not been included.

**Table 20: Proposals and submitter feedback**

| <b>Proposal</b>  | <b>% of submitters who answered questions relating to the proposal</b>                                       | <b>Key feedback from submitters</b>   |
|--|--|---|
| <b>Proposed components of the annual charge</b>  | N/a  | Further costs should be removed from the annual charge, e.g. compliance, IT costs, and some parts of customer enquiries should have a service fee attached instead.<br>Some submitters commented the Crown should cover a greater portion of the IT costs.              |
| <b>Proposal to reduce the annual charge</b>  | Supported by 93% of submitters.  | Significant majority support a reduced annual charge, with comments that costs should be further reduced or removed entirely.   |
| <b>Proposal to reduce and time limit the annual charge for forests that no longer report</b> | Supported by 28% of submitters. 64% of submitters selected “something different” in answer to this question. | Those who selected something different all supported the proposal but would prefer costs are reduced further for these forests (most said no annual charge should apply immediately after the forest reaches the point of no longer reporting changes in carbon stock). |

|   |  |   |
|---|--|---|
| <b>changes in carbon stock</b>  |  |   |
| <b>Proposal to introduce part charges of the annual charge to new participants</b>                          | Supported by 63% of submitters.  | Most submitters supported introducing part charges for new participants to align with how part charges are applied to existing participants. Two submitters did not support, on the basis that no part charges is less complex.   |
| <b>Proposal to apply the annual charge rate as an average across three years</b>                            | Supported by 92% of submitters.  | Significant majority supported this approach as a more simple and predictable option.   |
| <b>Proposal to apply the reduced hourly rate as an average across three years</b>                           | Supported by 90% of submitters.  | Significant majority supported this approach as a more simple and predictable option.   |
| <b>Proposed adjustments to hours underpinning some services with a service fee attached</b>                 | N/A  | Majority of submitters agreed with the adjustments, however supported further reductions that proposed.<br>Some submitters specifically commented on the increased fee for applications to register with under 10 hectares, noting this could be prohibitive for small forestry owners. |
| <b>Proposed new service fees for assessing or amending the emissions a participant should have reported</b> | 90% of submitters supported the introduction of a fee for both assessing and amending emissions returns. | Most submitters supported introducing a fee, as long as the 'non-compliance' was the fault of the participant and not MPI. Submitters largely do not want compliance costs to be subsidised by compliant participants.  |
| <b>Proposed Service fees for removing permanent forest carbon accounting areas</b>                          | 90% of submitters supported the introduction of fees.  | Significant majority agree that a service fee is more appropriate than an annual charge. One submitter raised concern that legislative requirements for removing permanent forest carbon accounting areas drives up the cost of this process.   |
| <b>Proposed service fee for notification that post-1989 offset deforestation is complete</b>                | 81% of submitters supported the introduction of fees.  | Majority supported this fee, however one submitter noted that offsetting on Māori land should be treated different due to the different set of circumstances that these landholders often have for offsetting and their difficulties in obtaining finance for land use transition.      |
| <b>Proposed fee for removing land status notices</b>  | 78% of submitters supported the introduction of fees.  | One submitter raised concerns that applying a separate fee for removing land status notices could increase the number of instances where a notice is left on a title that no longer has registered land.  |
| <b>Proposed fee for LUC Class 6 ballot applications</b>   | 75% of submitters supported introducing fees.  | Some submitters supported an approach where the service fee only applies if a person is successful in the ballot.<br>Others supported the proposed low fee as a mild  |

|  |  |   |
|--|--|---|
|  |  | barrier to ensure that disingenuous applications are reduced.   |
| <b>Proposed fee for Reviews of decisions</b> | 50% of submitters supported introducing fees, 40% supported a fee with conditions. | Those who supported the service fee with conditions, would instead support a service fee that is refunded if the review of decision results in a change to the original decision. |

## Responses to feedback

Consultation feedback included the preference for the annual charge to be reduced further or removed entirely. We have considered further options to reduce or remove the annual charge, or alternative mechanism for allocating the annual charge. These options have been identified as not-feasible, or not-feasible for now but will be considered in the future when there is better data and system stability to ensure the cost settings are transparent and justifiable.

### Non-feasible options for allocating the annual charge

Underpinning MPI's cost recovery is the principle that the beneficiary pays. As the annual charge includes costs for services that are being apportioned generally to the group rather than specifically to an individual, we need a mechanism to determine how this cost is shared across participants. To do this, the annual charge is currently allocated between participants based on how many hectares of forest land they have registered in the ETS.

Alternative options we have considered include:

**Table 21: alternative options and the primary reason for these options being assessed as "non-feasible"**

| Alternative option  | Explanation   | Primary reason for being "non feasible"   |
|---|---|---|
| <b>Allocating the annual charge equally across all participants</b>                     | Based on \$9.95m distributed across 5,000 ETS participants, this would result in an annual charge of roughly \$1,600 for all participants.  | This is not feasible as it would not be equitable to charge all participants an equal annual charge rate, as cost recovery settings should be proportionate to benefit received.  |
| <b>Allocating the annual charge proportionate to average NZUs earned by forest type</b> | This option would result in different annual charge rates for each forest type. Forest types that earn greater NZUs (for example, Radiata pine) would pay a higher annual charge rate than forest types that earn fewer NZUs (for example, indigenous). | This would not be efficient to implement as currently, participants are not required to declare forest types, (therefore there is not enough data to calculate this option). This would add significant complexity to both MPI and participants and will require a costly IT system build. This would increase the total cost of the annual charge. |
| <b>Allocating the annual charge proportionate to NZUs earned at an</b>                  | Like above, but instead of applying the charge based on averages for forest types, the  | Like above, with additional complexity and costs. This would also mean that the annual charge is not predictable for participants, who would have their   |

|                                     |   |   |
|-------------------------------------|---|---|
| <b>individual participant level</b> | annual charge would be calculated at an individual level. | annual charge rate recalculated frequently to reflect their NZU entitlements. It would also create challenges if a participant is required to surrender NZUs. |
|-------------------------------------|---|---|

Cost recovery principles of equity and efficiency support the allocation of cost as closely as practicable to the benefit that people receive, though limited by the practicalities of administrative efficiency. We continue to consider that the per hectare approach is the best mechanism for allocating the annual charge, without adding unnecessary costs and complexity to administering forestry in the ETS.

### Ability to pay the annual charge in NZUs

MPI received some feedback from 2023 and 2024 public consultation on cost recovery settings in the ETS, that paying the annual charge in NZUs could be a preferred option to paying in New Zealand dollars for some participants. Due to the complexity of designing a system that allows for cost recovery fees to be paid in NZUs, this option is not considered feasible for this current review of cost recovery settings. Some of these complexities include:

- designing a way to change NZUs into cash to fund the services;
- potential Crown involvement as an active participant in the NZU market, which could create a conflict of interest given its role as regulator;
- variation in prices paid by participants depending on the market value of NZUs at the time of payment; and
- more frequent updates to cost recovery settings to reflect market changes in NZU prices.

### Exemption for Māori foresters

In previous consultations, we have heard concerns about the way that Māori-owned forest land is treated in the ETS. Cost recovery settings are set to reflect the cost of providing services and are not well suited to respond to underlying regulatory system design questions. We anticipate lower costs and efficiencies will benefit Māori with an interest in forestry in the ETS. As a result, options in this consultation document do not consider different treatment for Māori-owned forest land in the ETS.

MPI will consider the effect of policy changes on Māori with an interest in forestry in the ETS as part of its role in ensuring obligations and design settings for forestry in the ETS are fit for purpose. We have heard from Māori participants that there are aspects of forestry related ETS policy or service delivery that are not well suited to the unique aspects of Māori-owned land and land ownership. We are continuing to look for ways to address these through topic specific policy updates.

### Removing/reducing compliance costs included in the annual charge

We received feedback that compliance costs should be reduced or not included in the annual charge. There is concern that as there is a private benefit to some compliance costs, and including these costs in the annual charge means compliant participants are subsidizing the costs for non-compliant participants.

Including compliance costs in the annual charge aligns with cost recovery principles, as

activities like monitoring cannot be attributed to individual participants and help maintain the overall integrity of forestry in the ETS (benefitting all participants). The proposed amendment and assessment fees target services that provide a private benefit. These fees are currently nominal because Tupu-ake's functionality to support these processes is new, and limited data exists on the true costs. As more data becomes available, MPI will be better able to refine these fees, which may result in higher service fees and lower compliance costs in the annual charge in future reviews.

### **No annual charge for forests that no longer report changes in carbon stock**

The consultation document proposed a reduced annual charge for 10 years, followed by no annual charge for forests that no longer report changes in carbon stock. Many submitters do not think this option goes far enough, instead suggesting that no annual charge applies immediately once a forest no longer reports changes in carbon stock.

It would not meet the cost recovery principles to not apply an annual charge to these forests immediately, as these forests still interact and benefit from these services. However, there is limited understanding of how these forests interact with services as there are very few forests that have reached this point. MPI will review cost recovery settings for how forests that no longer report changes in carbon stock in future cost recovery reviews, when more data will be available.

## **Conclusions and recommendations**

The status quo \$14.90 per hectare annual charge, and the status quo hourly rate and average hours it takes to complete a service (which underpin the cost of service fees) was calculated from the information available at the time. The proposals outlined in this document are based on revised data and modelling. Between the status quo cost and the current proposals, there have been efficiency gains in the administration of forestry in the ETS. For these reasons, the proposals to reduce the annual charge and hourly rate best meets the cost recovery objectives of transparency, justifiability, efficiency, and equity at this time.

Following consultation feedback, preferred options identified by majority of submitters are also preferred options for MPI.

A preferred package of options has been identified as best meeting the cost recovery principles. This package better identifies private benefits and therefore moves costs from the annual charge to service fees. This package also reflects the efficiencies that have been found in how the forestry component of the ETS is administered, making it more efficient and equitable than the status quo.

The preferred package of options is:

- A reduced annual charge of \$10.28 with a reduced and time limited annual charge for forests that have reached a point of "no longer reporting changes in carbon stock".
- Introducing part charges for new participants to align with the approach to part charges for existing participants.
- An averaged annual charge that is applied for three years.
- An averaged hourly rate of \$133.83 applied for three years.
- Adjustments to the average number of hours that underpin existing service fees (as outlined in Table 17).
- Introduction of all the proposed new service fees as proposed:

**Table 22: Proposed new service fees and cost**

| Service   | Proposed fee based on \$133.83 hourly rate |
|---|--|
| Assessing an emissions return when the participant has failed to submit a required emissions return | \$401.49                                   |
| Amending an emissions return when the participant has submitted an incorrect emissions return       | \$401.49                                   |
| Removing one or more whole carbon accounting areas for permanent forests                            | \$401.49                                   |
| Removing one or more part carbon accounting areas for permanent forests                             | \$1,003.73                                 |
| Notification that post-1989 offset deforestation is complete  | \$200.75                                   |
| Removing land status notice   | \$373.75                                   |
| Reviews of decision   | \$401.49                                   |
| Land Use Capability (LUC) ballot application  | \$66.92                                    |

### Implementation plan

The reduced annual charge, revised service fees (through a reduced hourly rate and adjustments to average hours it takes to complete the service) and introduction of 8 new service fees will be implemented through amendments to the Climate Change (Forestry Sector) Regulations 2022, the Climate Change (Emissions Rulings: Fees and Charges) Regulations 2022 and publicly notified in the New Zealand Gazette.

To give the forestry sector certainty about costs in 2026/27, amendments will need to be approved by Cabinet and notified in the Gazette by the end of June 2026, taking effect in July. This timeframe will enable MPI to invoice participants at the amended rate for the 2024/25 FY once regulations are in force.

If agreed to, most proposed changes to cost settings will take affect from 1 July 2026, however service fees for assessments and amendments of emissions returns will need to come into effect from 1 January 2027. This will allow time to prepare following the end of the mandatory emissions return period, provide education to the sector to ensure that participants understand that voluntary notification of non-compliance will still always be the best, least costly pathway, and ensure a system for invoicing these fees is in place.

As outlined in the consultation document, if the proposed fee for LUC Class 6 ballot applications is agreed to, implementation for the fee would not come into effect until 1 January 2027. This will ensure that efficiencies in how the ballot process is run can be found for the first two ballots held in 2026.

If the amendment regulations take effect later in 2026, invoicing for the 2026/27 FY annual charge could be delayed until the regulations take effect.

Once the amendment regulations are notified in the Gazette, MPI will communicate the upcoming changes via its website and the ETS Alert email newsletter which has a large number of forestry ETS participants and consultants as subscribers.

### Risk mitigation

As with any implementation, there are risks involved with the new cost recovery settings. MPI will ensure due diligence is managed and implement mitigations where reasonably able to. MPI has identified the risks and for each, an appropriate mitigation (Table X).

**Table 23: risks and mitigations associated with the proposed changes**

| Risk   | Mitigation  |
|--|---|
| Risk that participants will not pay when they are required to.                   | Mitigated by using standard MPI debt recovery processes (this primarily relates to the annual charge and would apply to the proposed fees for amendments and assessments of emissions returns as these cannot be charged in advance of carrying out the service), All existing fixed service fees (and the majority of proposed new service fees) are required to be paid as part of the application lodgement process, the service is not provided unless payment is received.   |
| Risk that the annual charge over or under recovers against the intended amounts. | <p>Mitigated by reviewing fees once every three years and updating where appropriate. The ETS for forestry memorandum account is continuously monitored, if serious concerns about the rate of over or under recovery occurs, this would trigger an ‘out of cycle’ review of cost settings, which are typically reviewed every three years.</p> <p>In some instances, cost settings may be reviewed with a smaller scope (e.g. adjustments to some fees rather than all fees) to consider issues that may arise, or changes to legislation or significant changes to processes.</p> |

### Enforcement strategy

To ensure the updates are implemented and enforced in support of achieving the policy objectives, MPI will manage the recovery of any outstanding debt in line with the existing debt management policy.

### Monitoring and evaluation

MPI recognises that monitoring and evaluating the impact of this revised annual charge is a critical component in providing transparency to industry and other interested parties, as well as ensuring ongoing system efficiency. This is explicitly acknowledged in MPI’s cost recovery policies.

When the *Forestry in the Emissions Trading Scheme: Proposed updates to cost recovery settings (Tranche Two)* annual charge was set MPI identified FTE allocation and application volumes as a key metric to be used when measuring and managing the implemented cost recovery settings as it was crucial in the development of the proposed fees and annual

charge. Therefore, ongoing monitoring and evaluation of FTE allocation and application volume throughput was, and will continue to be, routinely undertaken to ensure efficiency and appropriate allocation of resource.

As part of its comprehensive monitoring of fees, MPI also monitor payment of the annual charge through its invoice system. Information collected will inform the next full cost recovery settings review in 2025-26. The new annual charge will remain in place until the next cost recovery review is completed.

MPI recognises that timely reporting on this is a critical component of providing transparency to ETS users and other interested parties and will continue to work closely with industry to ensure that the performance information reporting is meaningful.

## Review

In line with best practice guidance, we monitor expenditure and revenue annually, and generally undertake a review of expenditure and revenue at least once every three to four years.<sup>38</sup> MPI aims to set fees and charges at levels that ensure memorandum accounts trend towards a zero balance over the medium term, usually a three-year period. This means if costs are over or under recovered in one year, fees may be adjusted in the following years to level out the memorandum account. To achieve this, fees and charges may be updated outside of the normal three-year review cycle if a material surplus or deficit accumulates in a memorandum account, such as:

- accumulated deficit or surplus is more than four months (33 percent) of annual revenue;
- the accumulated deficit or surplus is \$1 million or more; or
- a deficit is due to be written-off (due to time limits in legislation on the recovery of deficits), or a surplus has existed for an equivalent amount of time such that it would be written-off if it was a deficit.

Frequent and timely reviews help ensure that revenue and expenditure are balanced and are preferred by industry as they help avoid large swings in charges.

Note: before a consideration is given to any changes in fees, MPI would look at how services are delivered to ensure adjustments could be made there before undertaking a fee review. This would be in line with ensuring that a service is delivered efficiently.

Reviews of cost recovery settings will also be triggered if “design” issues are identified. Design issues cover potential faults around:

- who should pay for services;
- the scope of expenditure that is cost recovered;
- the way in which costs are recovered; and
- the level of the charge.

An example of a design issue around the level of a charge would be an inconsistency in the amount charged for the same type of cost between different services.

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<sup>38</sup> While MPI aims to undertake a review every three to four years, depending on the performance of the service and the memorandum account, a review may take place sooner or later.

# Version control

| Other version | Date | Link |
|---------------|------|------|
|               |      |      |
|               |      |      |
|               |      |      |

## Appendix one: Full list of updated service fees

| Fee in regulations | Service name  | Description  | Current fee (excl GST) | Rationale for change  | Proposed new fee (based on \$133.83 hourly rate) | Percentage change |
|--------------------|---|--|------------------------|---|--|-------------------|
| Schedule 6, 1      | Application for registration as a participant for the activity of standard forestry or permanent forestry in relation to post-1989 forest land  | Fee for applying to register post-1989 forest land for: Less than 10 ha  | \$488.89               | Based on 6 hours of staff effort  | \$802.98   | 64.25%            |
|                    |   | From 10 ha – less than 50 ha:  | \$1,815.00             | Based on 8.5 hours of staff effort  | \$1,137.56                                       | -37.32%           |
|                    |   | From 50 ha to less than 100 ha:  | \$1,980.00             | Based on 9.5 hours of staff effort  | \$1,271.39                                       | -35.79%           |
|                    |   | From 100 ha to less than 500 ha:   | \$2,640.00             | Based on 16 hours of staff effort   | \$2,141.28                                       | -18.89%           |
|                    |   | 500 ha and more:   | \$4,125.00             | Based on 25 hours of staff effort   | \$3,345.75                                       | -18.89%           |
| Schedule 6, 2      | Application under <a href="#">section 58</a> of the CCRA to remove participant from register  | Removing all your post-1989 forest land from the ETS and deregistering   | \$557.50               | Based on 4.5 hours of staff effort  | \$602.24   | 8.02%             |
| Schedule 6, 3      | Application for extension of time before relevant deadline or due date under <a href="#">section 119</a> of the CCRA (submission of emissions return)   | Requesting an extension for submitting an emissions return   | \$165.00               | Based on 1 hour of staff effort   | \$133.83   | -18.89%           |
| Schedule 6, 4      | Action by the EPA under <a href="#">section 128A</a> of the CCRA to prepare or complete a failed notice under <a href="#">section 181G</a> of the CCRA (P90 release criteria notice)  | If we prepare or complete a notice you have failed to submit on time   | \$1,650.00             | Based on 10 hours of staff effort   | \$1,338.30                                       | -18.89%           |
| Schedule 6, 5      | Action by the EPA under <a href="#">section 128A</a> of the CCRA to prepare or complete a failed notice   | If we prepare or complete a notice you have failed to submit on time   | \$1,650.00             | Based on 10 hours of staff effort   | \$1,338.30                                       | -18.89%           |
| Schedule 6, 6      | Submitting for activity of standard forestry or permanent forestry – (a) a provisional forestry emissions return under <a href="#">section 183</a> of the CCRA (in any year); (b) a mandatory emissions return period-end emissions return under <a href="#">section 183A</a> of the CCRA; or (c) a final forestry emissions return under <a href="#">section 186B</a> of the CCRA (ceasing participation for part carbon accounting areas); or (d) a final forestry emissions return under <a href="#">section 187</a> of the CCRA | Fees for emissions returns   | \$165.00               | Based on 1 hour of staff effort   | \$133.83   | -18.89%           |
| Schedule 6, 7      | Travel for purpose of checking that land is post-1989 forest land   | If MPI staff have to travel to your land to confirm its status in the ETS  | \$165.00 per hour      | No change – fee will be applied hourly alongside any other travel related costs | \$133.83 per hour                                | -18.89%           |
| Schedule 6, 8      | Application under <a href="#">section 180B</a> of the CCRA for exemption for less than 50 ha of pre-1990 forest land  | Applying for an exemption from liabilities for deforesting pre-1990 forest land (less than 50 ha)  | \$1,650.00             | Based on 10 hours of staff effort   | \$1,338.30                                       | -18.89%           |
| Schedule 6, 9      | Application under <a href="#">section 181A</a> of the CCRA to offset land for pre-1990 forest land  | Applications to plant forest to offset the deforestation of pre-1990 forest land   | \$5,775.00             | Based on 35 hours of staff effort   | \$4,684.05                                       | -18.89%           |
| Schedule 6, 10     | Notice under <a href="#">section 181G</a> of the CCRA of P90 release criteria   | Submitting a pre-1990 offsetting notice (pre-1990 release criteria notice)   | \$247.50               | Based on 1.5 hours of staff effort  | \$200.75   | -18.89%           |
| Schedule 6, 11     | Application under <a href="#">section 181H</a> of the CCRA to add land to area 2 (approved) land  | Application to add more offsetting land to an application to offset the deforestation of pre-1990 forest land  | \$5,775.00             | Based on 35 hours of staff effort   | \$4,684.05                                       | -18.89%           |
| Schedule 6, 12     | Application under <a href="#">section 182C(3)</a> the CCRA to add 1 or more carbon accounting areas for activity of standard forestry or permanent forestry   | Fees for applying to add more land into the ETS for: Less than 10 ha:  | \$88.89                | Based on 6 hours of staff effort  | \$802.98   | 803.34%           |
|                    |   | From 10 ha – less than 50 ha:  | \$1,815.00             | Based on 8.5 hours of staff effort  | \$1,137.56                                       | -37.32%           |
|                    |   | From 50 ha to less than 100 ha:  | \$1,980.00             | Based on 9.5 hours of staff effort  | \$1,271.39                                       | -35.79%           |
|                    |   | From 100 ha to less than 500 ha:   | \$2,640.00             | Based on 16 hours of staff effort   | \$2,141.28                                       | -18.89%           |
|                    |   | 500 ha and more:   | \$4,125.00             | Based on 25 hours of staff effort   | \$3,345.75                                       | -18.89%           |
| Schedule 6, 13     | Application under <a href="#">section 182F(4)(a)(i)</a> of the CCRA to remove 1 or more carbon accounting areas for activity of standard forestry   | Applying to remove 1 or more carbon accounting areas from the ETS (standard forestry only) for any reason  | \$495.00               | Based on 3 hours of staff effort  | \$401.49   | -18.89%           |
| Schedule 6, 14     | Application under <a href="#">section 182F(4)(a)(ii)</a> of the CCRA to remove post-1989 forest land from 1 or more carbon accounting areas for activity of standard forestry   | Applying to remove 1 or more parts of 1 or more carbon accounting areas from the ETS (standard forestry only) for any reason                                 | \$1,072.50             | Based on 7.5 hours of staff effort  | \$1,003.73                                       | -6.41%            |
| Schedule 6, 15     | Notice under <a href="#">section 182F(4)(b)(i)</a> of the CCRA that person has ceased to carry out activity of standard forestry in respect of 1 or more carbon accounting areas  | Notification that a person has ceased to carry out the activity of forestry in 1 or more whole carbon accounting areas from the ETS (standard forestry only) | \$496                  | Based on 3 hours of staff effort  | \$401.49   | -19.05%           |

|   |  |   |                                |  |                                |         |
|---|--|---|--------------------------------|--|--------------------------------|---------|
| Schedule 6, 16  | Notice under <a href="#">section 182F(4)(b)(ii)</a> of the CCRA that person has ceased to carry out activity of standard forestry in respect of land in 1 or more carbon accounting areas  | Notification that a person has ceased to carry out the activity of forestry in 1 or more parts of 1 or more carbon accounting areas in the ETS (standard forestry only)                                 | \$1,072.50                     | Based on 6.5 hours of staff effort   | \$1,003.73                     | -6.41%  |
| Schedule 6, 17  | Notice under <a href="#">section 182G(1)</a> of the CCRA that post-1989 forest land used for activity of standard forestry is affected by natural event or is cleared land, where the following applies:<br>(a) affected or cleared land comprises 1 or more whole carbon accounting areas; and<br>(b) any other case  | Notifying us about areas of land affected by a natural event that permanently prevents re-establishing a forest on that land (standard forestry only) – For 1 or more whole carbon accounting areas or; | \$495.00                       | Based on 3 hours of staff effort   | \$401.49                       | -18.89% |
|   |  | Any other case  | \$1,072.50                     | Based on 6.5 hours of staff effort   | \$1869.90                      | -18.89% |
| Schedule 6, 18  | Notice of transmission of interest under <a href="#">section 187</a> of the CCRA for activity of standard forestry or permanent forestry   | Notifying us that responsibility for ETS participation has transferred to another party   | \$990.00                       | Based on 6 hours of staff effort   | \$802.98                       | -18.89% |
| Schedule 6, 19  | Action by EPA in relation to a failed notice under <a href="#">section 187B(3)</a> of the CCRA   | If we prepare or complete a notice if you have failed to notify us of a transmission of interest (change of land ownership)   | \$1650.00                      | Based on 10 hours of staff effort  | \$1,338.30                     | -18.89% |
| Schedule 6, 20  | Application under <a href="#">section 188(3)</a> of the CCRA to reconfigure 1 or more carbon accounting areas  | Applying to reconfigure (split or merge) 1 or more carbon accounting areas  | \$6,600.00                     | Based on 40 hours of staff effort  | \$5,353.20                     | -18.89% |
| Schedule 6, 21  | Application under <a href="#">section 189(5)</a> of the CCRA to change activity  | Applying to move post-1989 forest land registered as standard forestry to permanent forestry  | \$742.50                       | Based on 6 hours of staff effort   | \$802.98                       | 8.15%   |
| Schedule 6, 22  | Application under <a href="#">section 192A</a> of the CCRA to offset land for post-1989 forest land  | Applying to offset the removal of post-1989 forest land from the ETS  | \$7,425.00                     | Based on 45 hours of staff effort  | \$6,022.35                     | -18.89% |
| Schedule 6, 23  | Application under <a href="#">section 193A</a> of the CCRA for a temporary adverse event suspension of accounting  | Applying to pause carbon accounting because your post-1989 forest land has been temporarily damaged by a natural or accidental event (temporary adverse event suspension)                               | \$4,207.50                     | Based on 25.5 hours of staff effort  | \$3,412.67                     | -18.89% |
| Schedule 6, 24  | Notification to the relevant Registrar or the Registrar-General of Land under <a href="#">section 195(1)</a> of the CCRA where required by <a href="#">regulation 19</a> following assessment of a successful application –<br>(a) under <a href="#">section 57</a> of the CCRA to register as participant; and<br>(b) under <a href="#">section 182C(3)</a> of the CCRA to add land in relation to standard or permanent forestry in respect of post-1989 forest land | Register standard and permanent post-1989 Land Status Notice  | \$330                          | Based on 2.8 hours of staff effort (includes batching and sending notices to LINZ) | \$373.75                       | 13.26%  |
| Schedule 6, 25  | Notifying the EPA under <a href="#">regulation 57(5)</a> that the FMA participant wishes to assign a forest class to their P89 land (except for assignments that are a change)   | Classifying areas of your post-1989 forest land as exotic or indigenous   | \$165.00                       | Based on 1 hour of staff effort  | \$133.83                       | -18.89% |
| Schedule 6, 26  | Notifying the EPA under <a href="#">regulation 57(5)</a> that the FMA participant wishes to assign a forest class to their P89 land where that assignment is a change  | Changing the classification of areas of your post-1989 forest land (exotic or indigenous)   | \$2,722.50                     | Based on 16.8 hours of staff effort  | \$2,248.34                     | -17.42% |
| Schedule 6, 27  | Application under <a href="#">regulation 59</a> to EPA to request an allocation of FMA sample plot locations for collecting FMA information  | Requesting a set of sample plots  | \$412.50                       | Based on 2.5 hours of staff effort   | \$200.75                       | -51.33% |
| Schedule 6, 28  | Application to EPA under <a href="#">regulation 60(2)</a> to request an allocation of additional FMA sample plot locations or under <a href="#">regulation 60(3)</a> to request replacement plot allocation of sample plot locations for collecting FMA information  | Requesting an additional set of sample plots  | \$412.50                       | Based on 2.5 hours of staff effort   | \$200.75                       | -51.33% |
| Schedule 6, 29  | Request under <a href="#">regulation 68</a> for participant-specific tables  | Asking us to create participant-specific tables based on your forest measurements   | \$1,980.00                     | Based on 7 hours of staff effort   | \$936.81                       | -52.69% |
| Schedule 6, 30  | Application under <a href="#">regulation 73</a> for permanent waiver from collecting FMA information   | Requesting a permanent waiver from establishing or collecting forest measurements from a sample plot  | \$412.50                       | Based on 2.5 hours of staff effort   | \$334.58                       | -18.89% |
| Schedule 6, 31  | Application under <a href="#">regulation 74</a> for temporary waiver from collecting FMA information   | Requesting a temporary waiver from collecting your forest measurements  | \$412.50                       | Based on 1 hour of staff effort  | \$334.58                       | -18.89% |
| Schedule 6, 32  | Application for extension of time before relevant deadline or due date under <a href="#">regulation 75</a> (to apply for allocation of plots and collect FMA information)  | Asking for more time to collect your forest measurements  | \$165.00                       | Based on 1 hour of staff effort  | \$133.83                       | -18.89% |
| Climate Change (Emissions Rulings: Fees and Charges) Regulations 2010 – Section 4 | Fee and charge for application   | Apply for an emissions ruling – For the first 4 hours   | \$495.00 for the first 4 hours | Based on 4 hours of staff effort   | \$535.32 for the first 4 hours | 8.15%   |
|   |  | Plus, an addition hourly rate if more processing time is needed   | \$165.00 per additional hour   | Additional charge per hour if more processing time is needed                       | \$133.83 per additional hour   | -18.89% |

## Appendix two: Legislative Authority to Cost Recover

The Climate Change Response Act 2002 is the authorising legislation which provides broad regulatory powers to create regulations to<sup>39</sup>:

- a) specify the persons or classes of persons by whom any fees and charges prescribed or fixed are payable; and
- b) provide for partial cost recovery from one class of persons and full cost recovery from another (if this is desirable to further the purposes of this Act); and
- c) prescribe the matters for which direct and indirect costs may be recovered; and
- d) prescribe a scale of fees and charges, or a rate based on the time involved in carrying out the function or duty or in exercising the power; and
- e) prescribe a scale of fees and charges, or a fee or charge for a prescribed function, power, or duty; and
- f) prescribe a formula for fixing fees and charges; and
- g) prescribe an annual fee or charge, or classes of fees or charges, payable by participants or classes of participants; and
- h) prescribe the time of payment of fees and charges, the means of collection of fees and charges, and the person who is responsible for paying a fee or charge; and
- i) authorise the EPA to recover the full costs of services from third parties (other than services in respect of which a fee or charge is prescribed) in circumstances prescribed in the regulations; and
- j) authorise the EPA to grant, in whole or in part, an exemption, waiver, or refund in relation to any fee or charge.

The Act provides examples of the kinds of costs which can be recovered, such as the cost of processing applications and returns, and the costs of providing, operating, and maintaining systems, databases, and other processes in connection with the making of emissions rulings and input returns<sup>40</sup>.

There are currently two sets of regulations under the Act that provide for forestry and related activities, the Forestry Regulations, and the Climate Change (Emissions Rulings: Fees and Charges) Regulations 2010.

Schedule 6 of the Forestry Regulations prescribe fees for certain services related to post-1989 forest land. These include fixed fees for core services.

MPI may, in whole or in part, waive or refund the payment of any fee or charge payable under these regulations if MPI is satisfied that either the services performed do not justify the payment or the payment in full, or the waiver or refund is reasonable in the circumstances<sup>41</sup>.

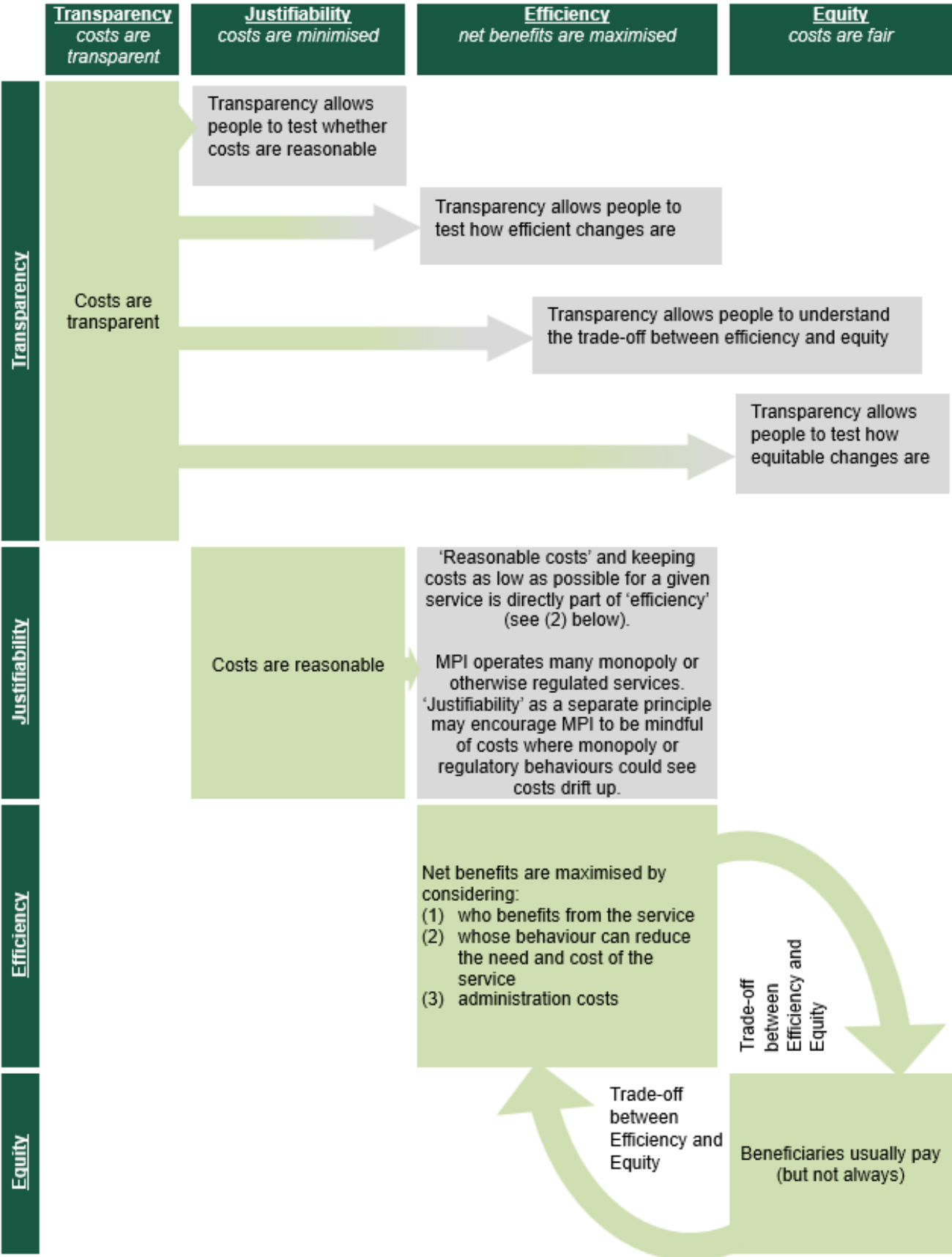
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<sup>39</sup> Section 167(4).

<sup>40</sup> Section 167(3).

<sup>41</sup> Regulation 16.

# Appendix three: relationship between cost recovery principles



# Appendix four: Annual charge component definitions and rationale

This section outlines the proposed components of the annual charge and the description of what the costs cover, alongside an assessment against the cost recovery principles.

Tables have been included under each proposed annual charge component to show our assessment of the component as a club good. If the component is assessed to have met the club good definition, these are marked green. If the component does not meet the definition of a club good (marked in the table as either yellow, for “sometimes does not meet the definition”, or red for “does not meet the definition”), further information on why this cost is proposed to be in the annual charge is explained beneath the table. This is because some services could be considered a private good, but charging a service fee could create inefficiencies, fairness issues, or discourage compliance. In these cases, costs are included in the annual charge as the best way to reflect shared benefit.

## COMPLIANCE SERVICES

### How we provide the service

Compliance and operations staff carry out four types of compliance actions:

| Voluntary                                      | Assisted   | Directed  | Enforced                                    |
|--|--|---|---|
| For example, customer enquiries and education. | For example, assisting cases of non-notified transfers of participation to become compliant. | For example, issuing compliance notices directing participants to fix non-compliance. | For example, applying penalties or refunds. |
| ↓  | ↓  | ↓   |   |
| Covered in sections 4.2 and 4.3                | Included as cost recoverable under “compliance services” in the annual charge                |   | Crown funded                                |

Non-compliance creates extra work, delays and costs. It can also lead to inaccurate carbon stock reporting, which undermines the purpose of forestry in the ETS. That’s why there are processes in place to follow up with participants who do not meet their obligations, and why it is important to recover the costs of doing so.

### Effort and cost to provide the service

In total, 10.4 full time equivalent (FTE) staff support compliance for forestry in the ETS. For the 2026/27 financial year:

- the cost of delivering cost recoverable compliance services through the annual charge is expected to be \$993,944;
- there is a small portion of compliance expenditure which could be fee funded (see section 8.1 below); and
- in total, the Crown is estimated to fund \$305,013 of compliance effort to cover things like issuing penalties.

### Why this is a club good




| Elements of club goods  | Assessment |
|---|------------|
| The service provides benefit to only post-1989 forestry participants                        | ✔          |
| One person’s use of the service does not impact another person’s ability to use the service | –          |

All compliant participants benefit from a strong compliance system that protects the integrity of forestry in the ETS. Because this benefit applies to all, most compliance costs are treated as a club good and funded through the annual charge. For some compliance services, for example, monitoring for compliance, it is not possible to isolate who should pay, nor would it be efficient to calculate this as a service fee. Some compliance services have been identified as having a private good argument. To reflect this, service fees have been proposed in section 8.1 of this document.

There are some compliance services that relate to pre-1990 forestry, which does not provide a benefit for post-1989 forestry participants. These costs, alongside the costs of preparing and issuing penalties, are a public good and funded by the Crown.

## EDUCATION



### How we provide the service

|                     |  |  |         |
|--|---|---|--|
| Direct support   | Webinars and presentations  | Outreach activities   | Guidance documents and website material  |
| Run by staff to help participants understand obligations, for example, submitting emissions returns. | These are updated regularly to reflect policy and process changes.                | Provided by staff who respond to technical and process-related queries.           | Includes engagement with sector representatives and presentations at targeted conferences. |

### Effort and cost to provide the service

For the 2026/27 financial year, the cost of delivering education services is expected to be \$318,081. This includes staff time for developing materials, delivering webinars and providing direct support. It also covers costs for hosting webinars and maintaining online resources.

### Why this is a club good

| Elements of club goods  | Assessment  |
|---|---|
| The service provides benefit to only post-1989 forestry participants                        |  |
| One person's use of the service does not impact another person's ability to use the service |  |

While some direct-to-participant forms of education can be considered a private good, the overall effectiveness and integrity of forestry in the ETS is enhanced when all participants are well-informed. A service fee could also stop people seeking information, which may help them to meet their obligations. Charging this cost through the annual charge ensures equitable access to support and encourages consistent engagement from participants.

## CUSTOMER ENQUIRIES

### How we provide the service

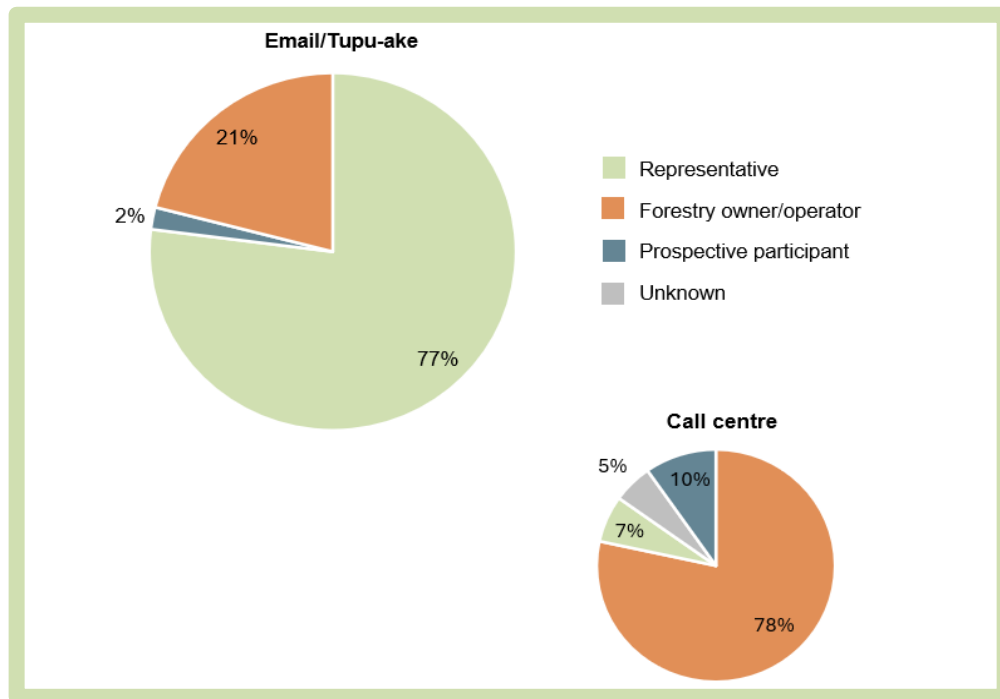
MPI provides enquiry support relating to forestry in the ETS via Tupu-ake, email and the call centre. Enquiries vary in complexity and time to resolve and fall into four categories:

- **General:** simple, “everyday requests”, for example, how forestry in the ETS works, creating an account, updating details, payment enquiries. These enquiries are the most common and typically do not require a lot of staff time to resolve.
- **Complex:** participant-specific issues requiring technical processes and multiple teams. These enquiries are the most difficult to resolve.

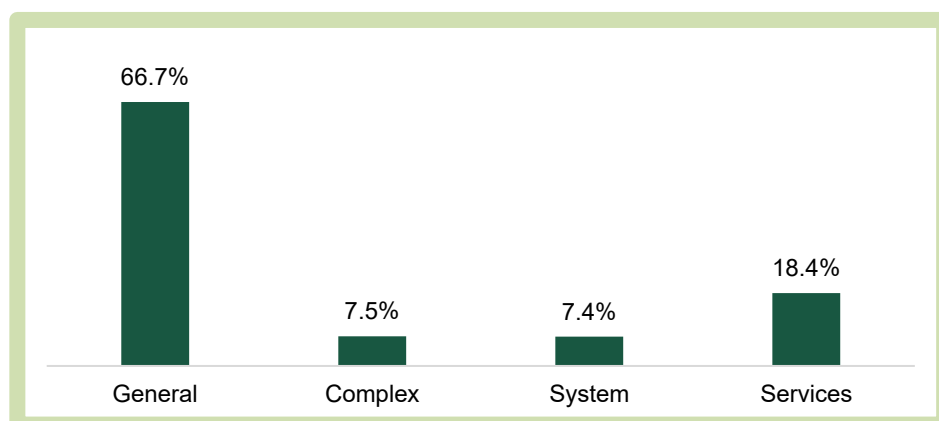
- **System:** enquiries relating to operating and accessing the online system for forestry in the ETS, for example, login issues, how to use Tupu-ake and system errors. Resolving these issues can often be difficult and time consuming, as there are multiple ways a system can have errors.
- **Services:** enquiries relating to forestry in the ETS services, for example, applications to register or remove land, enquiries relating to reviews of decisions and transmissions of interest. These enquiries are relatively common. They require a range of staff effort to respond to due to various levels of complexity.

Between July 2023 and June 2025, we received approximately 27,000 emails (including via Tupu-ake) and 2,400 calls related to forestry in the ETS. To better understand the types and sources of our enquiries, we analysed a representative sample of 650 written enquiries and 185 calls. The graphs below summarise our findings.

Graph 4: breakdown of sources for customer enquiries – email, Tupu-ake and call centre (July 2023 –June 2025).





Graph 5: sample break down of types of written customer enquiries received between July 2023 and June 2025.



### Effort and cost to provide the service

For the 2026/27 financial year, the cost of delivering customer enquiry services is expected to be \$900,805. Overall, operations and compliance staff spent a collective 4.3 FTE on responding to approximately 13,000 enquiries in FY24/25.

## Why this is a club good

| Elements of club goods  | Assessment  |
|---|---|
| The service provides benefit to only post-1989 forestry participants                        |  |
| One person's use of the service does not impact another person's ability to use the service |  |

Participants benefit from private information when making enquiries, but charging per request would discourage engagement and be inefficient. Enquiries often lead to broader benefits, such as published guidance or system improvements.

At present, we are not considering direct charging because it would require complex time tracking and billing systems that are not currently in place.

## REVIEWS OF DECISION<sup>42</sup>

### How we provide the service

Reviews of Decision provide administrative access to justice before challenging a decision in the District Court. The majority of requests for Reviews of Decision relate to decisions around land eligibility.<sup>43</sup> To make sure that the decision is correct, a Review of Decision for land eligibility is much longer than the original assessment of land eligibility. Steps that make this longer than an original decision include:



- additional data preparation and checks by ETS Operations at the beginning of the review process and a full audit of the process carried out by the ETS Operations or Compliance team;
- a detailed spatial assessment including additional data preparation, process audit, and increased scrutiny of all available evidence from both the original assessment and the Review of Decision by spatial staff;
- a robust approval process with a peer review required at each stage; and
- a final decision memo at the end of the review process which requires sign-out by a manager or higher.

This contributes to a more robust process, focused on giving assurance that all relevant information has been appropriately considered.

### Effort and cost to provide the service

For the 2026/27 financial year, the cost of processing Reviews of Decision is expected to be \$1,099,198. This covers the work of all staff involved in Reviews of Decision, including the analysts, spatial staff, compliance officers and approval processes.

## Why this is a club good

| Elements of club goods  | Assessment  |
|---|---|
| The service provides benefit to only post-1989 forestry participants                        |  |
| One person's use of the service does not impact another person's ability to use the service |  |

Reviews of Decision are primarily a private good, whereby the individual who requests the review is the one who benefits from the review. This would suggest the activity should be funded through a service fee. However, there is a secondary benefit for all participants to have access to justice to challenge decisions before appealing to the Courts. All applicants and participants for forestry in the ETS benefit from the existence of Reviews of Decision because they support the integrity of forestry in the ETS.

<sup>42</sup> This document also proposes a small fee for Reviews of Decision, which would move some costs to service fees, reducing the amount included in the annual charge. This proposal is outlined in section 8.6 of this document.

<sup>43</sup> Reviews of Decision can be requested in relation to other decisions, for example, decisions to apply a penalty. However, the significant majority of Reviews of Decision requested to date relate to land eligibility.

There is a risk that a Review of Decision being free to the requestor could result in ‘frivolous’ requests whereby an applicant ‘tries their luck’ without there being good grounds for their request. This could create unnecessary administrative burden and an increase in costs associated with Reviews of Decision. To reduce the motivation to do so, we are proposing to introduce a nominal service fee akin in principle to a filing fee for a court. This service fee is discussed in section 8.6.

Given the shared benefits from Reviews of Decision, and that reviewing a decision is thorough and time consuming, a service fee that charges the full cost to participants would be cost prohibitive. Given only applicants and participants to forestry in the ETS benefit from the existence of Reviews of Decision, we propose the remainder of the cost to provide the service is funded by the annual charge.

**IT MANAGEMENT**

All IT systems require a degree of management to ensure they function properly. This includes regular checks, updates and fixes to keep the system secure, auditable and performing as expected. Ensuring that the IT system is auditable (by keeping records that can be reviewed) supports the overall compliance of forestry in the ETS and ensures the integrity of forestry in the ETS is maintained.

**How we provide the service**

We have a team of staff who focus on the management of Tupu-ake. Their roles include:

- **Bug fixes:** bug fixes are changes made to an IT system to correct problems or errors that stop it from working properly. Fixing bugs helps make sure the system runs smoothly and does what it is supposed to do.
- **Monitoring system performance:** this involves testing that IT services are functioning as they should.
- **Management of data:** this means making sure the right data is collected, stored, organised and kept up to date in an IT system. It includes checking that the data is accurate, easy to find, and safe to use – so the system can support decision-making and run properly.
- **Preparing for and implementing Salesforce updates:** Salesforce provides updates to the underlying database system. We need to test the effects of each update to ensure that the IT system remains robust and functional.
- **Security management:** this includes keeping data safe, controlling who can use the system and making sure the system is secure so it can be trusted and used safely.



All IT systems require licensing and vendor support to operate. The total costs for vendor support and licensing to support the ETS is approximately \$2.6m annually. This means a significant amount of IT management costs are related to vendor support and licencing.

Some aspects of IT support for forestry participation relating to the field measurement approach (FMA), are supported though the previous ETS IT System (CCIS). A small portion of IT management cost relates to the management of CCIS to support FMA participation.

**Effort and cost to provide the service**

For the 2026/27 financial year, the cost of IT management is expected to be \$3.613m. This includes the cost of vendor support and licencing, and staff time to provide the service.

**Why this is a club good**

| Elements of club goods  | Assessment  |
|---|---|
| The service provides benefit to only post-1989 forestry participants                        |  |
| One person’s use of the service does not impact another person’s ability to use the service |  |

**IT IMPROVEMENTS**

**How we provide the service**

As with IT management, all IT systems need improvements to evolve over time to stay useful and relevant. Without ongoing improvements, Tupu-ake would risk becoming outdated, less efficient and unable to support future forestry in the ETS developments.

There are different types of work involved in supporting improvements to the IT system:

- **Planning, design and delivery of improvements:** identifying areas where improvements are needed, finding fit for purpose solutions and implementing updates.
- **Management of vendors and delivery teams:** managing vendors and staff who are required to carry out IT improvement work.

For example, past IT improvements have enabled automated invoice generation. This allows participants to receive GST receipts instantly and is estimated to save around 0.5 FTE of staff time per week. Recent IT spatial upgrades have also improved accuracy and efficiency leading to:

- 90 percent fewer requests for spatial staff to export shapefiles (operations staff can now do this);
- 65 percent fewer requests where spatial staff had to remove post-1989 notices; and
- 50 percent fewer clearing/replanting checks through workflow aggregation.



Future improvements are being developed to improve the user experience and reduce the costs of administering forestry in the ETS. Some of the improvements that are coming include:

- adding automated validations in the system (for example, dates and the order in which polygons are stacked);
- automating full transfers of participation, full removals of forest land from the ETS and changing registered activity processes in the workflow, without spatial staff involvement; and
- displaying the application status to participants – this will allow participants to see where in the process an application is, which will reduce enquiries about application updates.

### Effort and cost to provide the service

For the 2026/27 financial year, the cost of IT improvements is expected to be \$1,503,323. This includes the cost of vendor support, and staff time to support the development.

### Why this is a club good

| Elements of club goods  | Assessment  |
|---|---|
| The service provides benefit to only post-1989 forestry participants                        |  |
| One person's use of the service does not impact another person's ability to use the service |  |

## SYSTEM ENABLERS

### What is the service?

There are system enabling services that are club goods or are most effectively recovered through the annual charge. These services ensure the operational system integrity of forestry in the ETS by maintaining the accuracy, reliability and effectiveness of internal systems and processes that support the delivery of forestry in the ETS. These are not new services, however, the annual charge has been broken down further to increase transparency and to ensure sector understanding of what the annual charge covers. These services are different to Crown funded services (like development of policy) as they are only driven by demand from post-1989 forestry participants and only provide a benefit to post-1989 forestry participants.

The system enabling services are:

- maintaining documentation and guidance for staff to operate effectively;
- sign out of key cases;
- subject matter expertise for complex cases; and
- issuing directions to the EPA for participants.



### Effort and cost to provide the service

For the 2026/27 financial year, the cost of system enabling services is expected to be \$1,518,768. The table below outlines how much each service in this category contributes to this total cost.

Table 4: cost of “system enablers” broken down

| Service   | Proportion of total system enablers cost <sup>44</sup> |
|---|--|
| Maintaining documentation and guidance for staff to operate effectively | 44%  |
| Sign out of key cases   | 40%  |
| Subject matter expertise for complex cases                              | 7%   |
| Issuing directions to the EPA for participants                          | 8%   |

### Why this is a club good

| Elements of club goods  | Assessment  |
|---|---|
| The service provides benefit to only post-1989 forestry participants                        |  |
| One person’s use of the service does not impact another person’s ability to use the service |  |

The support of day-to-day operations to carry out services for participants, and the integrity of forestry in the ETS that is supported through this service has an overall benefit for all participants. It would not be possible or efficient to isolate the benefit received from this service at an individual level and therefore cannot be charged as a service fee.

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<sup>44</sup> Table does not sum to 100 percent due to rounding.

# Appendix 5: Assessment of proposed new fees against cost recovery principles

|  | Cost recovery principles  |  |   |   |   |
|--|---|--|---|---|---|
|  | Proposed fee (based on \$133.83 hourly rate)  | Transparency<br><i>It is transparent to charge a service fee when a service directly benefits a participant.</i>   | Justifiability<br><i>It is justifiable to charge a fee that is no greater than the actual cost of providing the service.</i>  | Efficiency<br><i>Charging fees directly to a participant instead of a club supports allocative efficiency, when costs are easily excludable.</i>  | Equity<br><i>It is equitable to charge a fee for services that are a private benefit for the participant, ensuring that these costs are not picked up by those who do not benefit.</i>  |
| <b>Proposed new service fees for assessing or amending an emissions return on a participant's behalf (refer 8.1)</b> | \$401.49 (for both amendments and assessments).   | Participants benefit from an amendment or assessment of an emissions return, as it allows them to return to being a compliant participant, who can continue to benefit from registration of forestry in the ETS.   | The proposed fees for amendments and assessments conservatively reflect the staff time required to deliver these services. This ensures fees do not exceed actual costs and avoids unfairly charging participants whose cases take longer due to factors like competing priorities or staff inexperience. | Charging fees directly to a participant instead of a club supports allocative efficiency, particularly when it is easy to isolate the costs of the service provided and who is receiving the service. Charging a fee in relation to services or non-compliance reduces additional administration by incentivising compliant behaviour and makes it easier to monitor costs against service provision. | These proposed fees are equitable for compliant participants who currently bear the costs of non-compliant ones. They also address the unfairness of participants benefiting from emissions returns completed on their behalf without paying the associated fee. Introducing these fees supports a more consistent and fair approach to charging for assessments and amendments of emissions returns. |
| <b>Proposed service fees for removing permanent forest carbon accounting areas (refer 8.2)</b>                       | \$402.00 (for whole carbon accounting area) and; \$869.90 (for part carbon accounting area) | Participants who request to remove a carbon accounting area benefit from this service being carried out as it allows participants to make decisions about how they use their land. The service provides no broader benefit beyond the individual participant.                  | The proposed fees for removing permanent forest carbon accounting areas is based on the average amount of time it takes to complete this service. The service fee is not greater than the actual cost to provide the service.   | As this service is directly requested by a participant, it is easy to identify who is benefitting from the service, and therefore efficient to charge the fee directly to the participant.  | It would be inequitable to continue charging only standard forestry participants for carbon accounting area removals while "exempting" permanent forests and including these costs in the annual charge. Introducing a fee for permanent forestry participants improves fairness for forestry in the ETS and ensures only those who benefit from the service bear its cost.                           |
| <b>Proposed service fee for notification of post-1989 offset deforestation completion (refer 8.3)</b>                | \$201.00  | Participants benefit from the flexibility to offset deforestation to avoid paying significant liabilities. There is no wider benefit from services relating to offsetting applications outside of the participant who requests it.   | The proposed fee is based on the average amount of time it takes to complete the service. The service fee is not greater than the actual cost to provide the service.   | As this service is related to services that are directly requested by a participant (applications to offset forest land), it is easy to identify who is benefitting from the service, and therefore efficient to charge the fee directly to the participant.  | It would not be equitable to continue charging pre-1990 forestry participants for a service that post-1989 forestry participants are not required to pay. It is also not equitable to include any future costs associated with this service for post-1989 forestry participants, in the annual charge. This does not reflect the private benefit this service has.                                    |
| <b>Proposed fee for removing land status notices (refer 8.4)</b>   | \$441.09  | This service relates to the removal or subdivision of forest land, providing participants with greater flexibility in land use. Removing land status notices benefits only the specific participant and land area involved, with no wider benefit beyond that individual case. | The proposed fee for removing land status notices is based on average amount of time it takes to complete this service. The service fee is not greater than the amount of time it takes to complete the service.  | As this service is related to services that are directly requested by a participant (for example, applications to remove forest land), it is easy to identify who is benefitting from the service, and therefore efficient to charge the fee directly to the participant.   | It is not equitable to charge all forestry participants for the cost of removing land status notices through the annual charge, when removing a land status notice has a private benefit for the participant.   |
| <b>Proposed fee for Reviews of Decision (refer 8.5)</b>  | \$401.49  | Reviews of Decision have a direct benefit to participants, as the service provided is to reassess a decision affecting them, and can result in a change of decision leading to a benefit for the participant (for example, land is determined to be eligible).                 | The proposed fee for Reviews of Decision is a nominal fee to reflect a small portion of the cost of providing the service. This fee is not greater than the amount of time it takes to complete the service.  | As this service is directly requested by a participant, it is easy to identify who is benefitting from the service, and therefore efficient to charge the fee directly to the participant.  | A service fee for review of decisions increases equity by ensuring that not all costs of Reviews of Decision are covered in the annual charge, as not all participants use the Reviews of Decision service. Including some costs in the annual charge reflect the natural justice aspects and the benefit that having a pathway to request a review has for all participants.                         |
| <b>Proposed fee for LUC ballot applications (refer 8.6)</b>  | \$66.90   | Applications for the LUC ballot has a direct benefit for the participant, who may receive a permit allocation allowing the participant to apply to register forestry in the ETS.   | The proposed fee for ballot applications is a conservative estimate of the average amount of time it will take to process a ballot application. This fee is not greater than the amount of time it takes to complete the service.   | As applications are directly requested by a person, it is easy to identify who is benefitting from the service, and therefore efficient to charge the fee directly to the person who submits the application. Charging a fee also encourages applications to be correct and complete, reducing unnecessary administration of processing poor quality applications.                                    | It is more equitable to charge a service fee for ballot applications than it is to cover these costs through the Crown (taxpayer money) as only participants with LUC Class 6 land can apply. This is therefore a service that cannot be accessed by the general public.  |

Options