

# CarbonCrop

Explaining our model –  
How does it work?

*Carbon Management with  
CarbonCrop*

## Thank you for your efforts to restore forest, sequester carbon and support biodiversity in New Zealand.

We're happy you chose CarbonCrop to help assess your land.

If you'd like to proceed with the registration process, no doubt you'll want to understand more about how our model works and what your commitments will be.

This summary aims to capture the key takeaways and answer the questions that crop up most frequently. Naturally, it isn't intended to replace our **Carbon Management Agreement**, which is the main contract you sign with CarbonCrop.



# What are you signing up to?

By signing our Carbon Management Agreement, you authorise CarbonCrop to register areas of your land for New Zealand's Emissions Trading Scheme (ETS) on your behalf.

Forests registered under the ETS earn carbon credits which can be traded within New Zealand's carbon market.

Let's go through four dimensions:

- CarbonCrop's services - the services we agree to provide
- Your obligations - what you need to do, as the landowner of the registered area
- Payment model - the fees and charges involved
- Change - what happens if things change and you wish to exit the agreement

## CarbonCrop's services

Our process starts with *Land Assessment*, to help you assess your options and decide roughly which areas to register. Once you sign up with us, we work with you to fine-tune your *Land Strategy* and deliver the following services.

### Land Registration

This includes:

- Analysis and data collection to support detailed project analysis and planning
- Collection and mapping of evidence
- ETS registration preparation and submission



- Resubmissions, for instance if some areas are not approved
- Registration of additional land areas

## Carbon Accounting

This includes:

- Ongoing forest monitoring and carbon calculation
- Coordination and management of any external monitoring activities or resources
- Submission of ETS carbon returns for each reporting period
- Monitoring changes in ETS legislation

## Your obligations

### Protect your forest

By registering, you agree to protect your forest and support regeneration, according to standard forest management practices and ETS guidelines.

The forest restoration and protection obligations that exist under the NZ ETS are perpetual. Even once the forest has reached a steady state and no longer sequesters additional carbon, it must still be preserved as forest.

As the landowner, you are responsible for any associated land management costs, such as tree planting, pest control, weed control, fencing, labour and forestry consultancy etc.

### Pay tax

You are responsible for paying tax on any carbon credit income you receive, if you decide to sell or lease your carbon credits. No tax is due on initial receipt of the credits.



## Support registration

During the submission process, you may be asked to support the ETS registration by providing CarbonCrop with additional information and necessary documents, such as proof of identification. We may also ask you to take some ground photos of your land, in which case we'll provide full guidance and a map with specific locations.

*Common question: What happens if you lose trees?*

If your registered area is less than 100 hectares, losing a few trees will typically not affect your credits, as long as your forest canopy cover still exceeds 30%. However infill planting may be required if you drop below 30% canopy cover. If planting out new forest you should anticipate some degree of loss and factor this into your calculations.

Until 2023, if more than 0.1 ha area of forest is lost due to an adverse event such as forest fire or storm damage, you will be required to surrender the credits you have received for that area. However, from 2023 onwards, if less than 1 ha area of forest is lost due to an adverse event, this will not need to be reported and you will continue to earn credits as normal. If the area lost is over 1 ha, provided that the forest is reestablished you will not need to repay the credits, however your credits will be paused until the trees have regrown and the forest is storing as much carbon as it did before.

## Payment model

There are two fees within our payment model:

### Regulator fees

You must pay the regulator fee for initial ETS registration, which is a one-off cost levied by the government for processing the scheme. It currently costs **\$488.89**



**+GST\***. CarbonCrop offers a money-back guarantee, so we'll refund this cost to you if your ETS forest registration is unsuccessful.

CarbonCrop pays the ongoing ETS fees for filing annual carbon returns (**currently \$88.89 +GST per year\***), but we recover this cost from project carbon proceeds before the landowner/CarbonCrop split.

\*Please note that MPI has proposed to increase these fees from January 2023, and this might have a substantial impact on the financial viability of your project. In [this blog post](#) we've outlined the extent of the proposed changes.

## CarbonCrop fees

Following a successful emission return CarbonCrop will charge a percentage of carbon credits earned to cover all of our services. As this fee is based on your carbon payouts, we only earn when you do. For areas less than 200 hectares of registered Forest area, a tiered pricing structure is used:

| Land Area      | Percentage Fee |
|----------------|----------------|
| 1 - 20 ha      | 20%            |
| 20 ha - 50 ha  | 10%            |
| 50 ha - 100 ha | 8%             |
| 100 ha - 200ha | 6%             |

Above 200 ha of registered Forest Areas, a flat 5.5% fee is charged.

In the case that we incur 3rd party costs in the provision of services, these costs are recovered from project carbon proceeds before the landowner/CarbonCrop split. This reduces CarbonCrop's share as well as yours, so we're both incentivised to keep external costs as low as possible. The cost most likely to be incurred is the Field Measurement Approach (FMA), a form of compliance and monitoring required for registered forest areas totalling greater than **100 hectares**. If applicable, the cost of



FMA averages approximately **\$150/ha** once every five years, depending on the species, number of measurement plots etc.

### *Common question: Will I keep earning credits after 2050?*

While our carbon projections extend to 2050, carbon credits will generally continue to be awarded based on growth until the forest reaches a steady state in terms of total biomass. Although the NZ ETS lookup tables currently stop at 50 years, the expectation is that these will be extended in the lead-up to 2040, which is the earliest date at which an eligible forest might hit the limit.

### *Common question: How do I sell my credits?*

NZ ETS Carbon Credits can be sold on the open market, or through aggregators. If you arrange a sale, CarbonCrop will transfer credits from your holding account on your instructions, without fee, as part of our account administration service. We also expect to provide an annual opportunity to sell credits, without any surcharge, through CarbonCrop's market channels, to make it even easier for registered landholders to sell carbon credits. More details to be announced closer to the launch date.

## What happens if things change?

Carbon contracts have long timescales, so we understand that things may change.

### **If you want to sell the land**

On the sale or establishment of a forestry lease for a forest area, the ETS regulations require that the ETS registration for the forest area is transferred to the new owners / lease holders. You will ensure that the CarbonCrop carbon management agreement is also transferred, with equivalent terms, as part of the transaction.



## If you wish to withdraw from the CarbonCrop agreement but stay registered in the ETS

If you want to remain registered with the ETS but exit the agreement with CarbonCrop for a given forest area (before the completion of the contract period) you may do so by paying a break fee to CarbonCrop.

The break fee equates to a share of the credit payments that would have been due to CarbonCrop over the remainder of the contract, based on the carbon price at the time of the break. CarbonCrop's standard contract initial term is 10 years, after which you have the option of annual renewal.

## If you want to deregister an area from the ETS

You can deregister any area of forest from the ETS (where permitted under the ETS regulations) at any point during the contract with CarbonCrop. This land will be removed from the scope of our Carbon Management Agreement and there will be no break fees payable to CarbonCrop. **MPI will charge \$88.89 +GST** to process the transaction.

Importantly, all credits issued for the affected area of forest must be repaid to the ETS regulator on deregistration. This means that if you had planted pine trees and wished to exit the ETS to harvest them, you would need to repay those credits – and if you had sold the credits, you would have to acquire an equivalent number of credits as replacement, potentially requiring you to buy them for the market price at the time.

**If you have further questions or any concerns, please don't hesitate to ask. We value your feedback and it's important that we're all on the same page.**

You can always email the team at: [hello@carboncrop.nz](mailto:hello@carboncrop.nz)







**Better Offsets.  
Better Forests.**