



**TO THE MAYOR AND COUNCILLORS OF THE
MACKENZIE DISTRICT COUNCIL**

Membership of the Mackenzie Forestry Board:

Cr Graham Smith(Chairman)

Cr Noel Jackson

Cr Evan Williams

Cr Murray Cox

*Notice is given of the meeting of the Mackenzie Forestry Board
to be held on Tuesday 30 August 2016, at 9.00am.*

VENUE: Council Chambers, Fairlie.

BUSINESS: As per agenda attached

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER



MACKENZIE FORESTRY BOARD

Agenda for Tuesday 30 August 2016, at 9.00am

APOLOGIES

DECLARATIONS OF INTEREST

MINUTES:

That the minutes of the Mackenzie Forestry Board meeting held on June 7. 2016 be adopted and confirmed as a correct record of the meeting. **3**

REPORTS:

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| 1. Financial Report to May and June 2016 (attached) | 7 |
| 2. Forestry Manager's Report April and May 2016 (attached) | 9 |
| 3. Carbon Credits Report (attached) | 12 |

GENERAL BUSINESS:

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE MACKENZIE FORESTRY BOARD HELD IN THE COUNCIL CHAMBERS, FAIRLIE, ON TUESDAY, JUNE 07, 2016 AT 9.31AM.

PRESENT:

Cr Graham Smith (Chairman)
Cr Murray Cox
Cr Noel Jackson

IN ATTENDANCE:

Claire Barlow (Mayor)
Wayne Barnett (Chief Executive)
Paul Morris (Manager Finance)
Kevin O'Neill (Forestry Manager)
Keri-Ann Little (Committee Secretary)
Terry O'Neill (District Forester, attending by conference phone)
Daisy Hudson (Timaru Herald)

APOLOGIES:

Resolved: That an apology be received from Cr Evan Williams.

Chair/ Cr Jackson

DECLARATIONS OF INTEREST:

There were no declarations of interest.

MINUTES:

Resolved that the minutes of the meeting of the Mackenzie Forestry Board held on March 15, 2016, be confirmed and adopted as the correct record of the meeting.

Cr Cox/Cr Smith

REPORTS:

DISTRICT FORESTER REPORT:

Terry O'Neill joined the meeting via teleconference and updated the Board on the following matters.

Update on Muricata at Simons Pass:

Terry O'Neill updated the Board on the Muricata Harvesting at Simons Pass. He said the Contractors, Forester Management, have been busy with other projects and have not yet started the harvest. Terry O'Neill added he is currently investigating other contracting options to carry out the works.

The Chair expressed his disappointment that the harvest has not gone ahead as planned, with excellent weather conditions and contractors on site. He said that further establishment costs may affect the viability of the harvest.

Terry O'Neill said he would discuss this with Forester Management and will not proceed if proven unviable. He confirmed that the Muricata specimen was best to be harvested.

The District Forester provided an update to the Board on all remaining forestry blocks.

Carbon Credits:

Terry O'Neill updated the Board on the recent increase in value of Carbon Credits. He said they have increased to over \$15.00 and are expected to reach \$20 by the end of the year. He asked the Board if they would like to start to investigate selling some credits to subsidise income. He added that there are credits available for sale and he sought the Boards direction.

Kevin O'Neill asked Terry O'Neill to compile a report to evaluate what could be sold now, what would be better to keep for future sale and how many credits the Board currently has.

The Chair enquired if this was a viable option for Terry O'Neill to undertake. Terry O'Neill replied that he did not think it would be difficult. He said product thinning will have some liabilities, however if the Board is interested in the process of thinning the product he will carry out the ground work while also investigating the estimated cost of carbon credits for the next 20 years. He added that it will have to be decided if in the future it is best to leave tress and not harvest them to gain more carbon credits.

The Chair thanked Terry O'Neill for his input.

Terry O'Neill said he will contact Kevin O'Neill and Paul Morris as soon as he has a response regarding the Muricata Harvest at Simons Pass and update on Carbon Credits.

FINANCIAL REPORT – JANUARY 2016:

The Finance Manager reported the financial performance of the Forestry Board as a whole for the period ending April 2016.

Resolved that the report be received

Cr Jackson/ Cr Cox

FORESTRY MANAGERS REPORT JANUARY TO MARCH 2016:

Resolved: that the Report be received.

Cr Jackson/ Cr Cox

Mr O'Neill updated the Board on works carried out at the Cabuie by the Ashwick Opuha Water Supply Committee. He said the Water Committee approved the water race to be cleared without consulting him. He added that the work did need to be carried out and that he felt it fair to pay half of the contractors costs, the other half being paid for by the Water Committee.

The Chair thanked Mr O'Neill for all the time he contributes to the Forestry Manager role adding his work is very much appreciated.

GENERAL BUSINESS:

PLANTING AT CANNINGTON:

The Chair reported the planting is progressing.

GRAZING FENCES:

The Forestry Manager reported that he has only on Friday received the contract information for Forestry Block Leases. He said he will review the contracts and assess what is recorded.

The Chair confirmed the annual rent is being paid by all lease holders.

The Finance Manager stated he will review all deed leases and locate the final lease copy and distribute these for the Board Members information.

The Chair said it is important to keep up with terms of lease and current leases.

Mr O'Neill added there is a contract on Fox's Peak Plantation for restrictive stock grazing. He said that Clayton Station are currently managing this block well. The contract will be reviewed with Sam Bell in a year's time.

WILDING PINES:

The Chair expressed his ongoing concern regarding wilding pines spread around Council Forestry Blocks. He said there is no way, other than DNA testing, to confirm the wilding's are from Council Blocks but believes Council need to be proactive in assessing the problem with a solid plan in place moving forward.

Cr Cox mention the Mackenzie Wilding Management Strategy informing the Board that the Council are a part of this document but could not confirm if Council had submitted to the document. He added there will be implications for Council regarding

wilding pines and the document mentions Tekapo Forest, the Tekapo Reserve and neighbouring farm land.

The Mayor added that Council have not committed itself with supporting the Mackenzie Wilding Management Strategy. She said it is important the Board and Planning and Regulation Committee are involved and up to date.

Mr Barnett said that he and Kevin O'Neill have met with a Consultant with a general focus on wilding pines. He said Council have engaged the Consultant to assess specific Forests and to evaluate the seriousness of the seed source. Mr Barnett said he will report the findings of the report back to the Board.

Cr Jackson asked if there were aerial photographs taken to assess the spread. Mr O'Neill said Council have 10-12 years recorded of photographic progression, he added that Council have been grazing the edge of the plantations to minimise spread.

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 10:15AM

CHAIRMAN: _____

DATE: _____

MACKENZIE DISTRICT COUNCIL

REPORT TO: FORESTRY BOAD
SUBJECT: FINANCIAL REPORT – JUNE 2016 2016
MEETING DATE: 30 AUGUST 2016
REF: FIN 1/2/3
FROM: CHIEF FINANCIAL OFFICER

PURPOSE OF REPORT:

Attached is the financial report for the Forestry Board for the period to June 2016, the purpose of which is to update Board members on the financial performance of the Forestry Board as a whole for that period.

Commentary will be provided for any significant variances.

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
CHIEF FINANCIAL OFFICER

Mackenzie District Council
Finance Report
For The Period Ended June 2016

LYTD Actual June 2015		YTD Actual June 2016	YTD Budget June 2016	Variance	Full year Budget 30/06/16
0	Income	0	0	0 ✓	0
197,099	Other Income	726,058	10,500	715,558 ✓	10,500
563,260	Other Gains and Losses	2,092,388	42,744	2,049,644 ✓	42,744
10,441	Internal Interest Income	48,509	(17,289)	65,798 ✓	(17,289)
171,449	Asset Impairment	638,730	72,000	566,730 ✓	72,000
942,249	Total Income	3,505,684	107,955	3,397,729	107,955
0	Expenses	0	0	0 ✓	0
15,137	Consultancy Expenses	14,528	20,000	5,472 ✓	20,000
16,119	Administration Expenses	21,870	35,000	13,130 ✓	35,000
51,886	Operational and Maintenance	33,005	36,825	3,820 ✓	36,825
83,142	Total Expenses	69,403	91,825	22,422	91,825
859,106	Operating Surplus/(Deficit)	3,436,281	16,130	3,420,151	16,130
Operating and Capital Reserves					
0		0	0		0
859,106	Operating Surplus/(Deficit)	3,436,281	16,130		16,130
859,106	Total Operating Reserves	3,436,281	16,130		16,130
493,980	Opening Balance	1,353,086	0		0
859,106	Transfer - from Operating Reserve	3,436,281	0		0
1,353,086	Total Capital Reserves	4,789,367	0		0
Capital Expenditure					
0	Total Capital Expenditure	0	0	0	0

Kevin O'Neill's Time & Travel Log

April 2016

April 2016	Hrs	Kms	Details
1	3	38	Don and I did plot 4 at Cabuie. Diameter ranged from 16.3 to 22.4 cm, height 11.3-12.75 metres, trees 15 years old. Two plots yet to be thinned.
4	2		February Forestry report and invoices.
5	1		Attended Ashwick Opuha water race meeting. Discussed clearing of our race through Cabuie plantation without forestry permission. Decision made to pay half each of the clearing between Forestry Board and Ashwick Opuha water race committee.
6	1/2		Spoke with Terry about pruning edge trees along creek and dividing fences between blocks at Cabuie to allow access for creek cleaning and contractors access for thinning in the future. Also, Barry Wells, Blakely Pacific about harvesting future blocks for export.
11	1		Pricing fencing materials for fencing at Cannington and consult with Andrew Holmwood.
18	2.5		Spoke to Tony Walls about putting in culvert for access to Simons Hill if we go ahead with milling. Also met with Suzy Ratahi and Bernie Haar about agreement for MDC to use the new road when harvesting. Spent time looking at options for Kerry Bulling who has no Vodafone cellphone coverage at Mitchells old home at Sherwood. Contacted Aaron Lill who has moved out and gave her their options for gaining access to a network.
19	4	43	Met Kurt Crisp at Cabuie where he is nearly finished thinning. Looked at progress and quality of job so far. Gave him the okay to prune edge trees by creek and fence lines. Pruning a little dearer than trimming but once pruned jobs complete and will not need to come back to trim in future years. Will also have a better grade of log at harvest.
20	1		Visited the Old Rifle Range block at Tekapo where there is a back facing of small larchs that would have cost money to mill. The Tekapo Lions are taking them down for firewood. Mark Morgan is grazing horses on this block. There is a block on the flat below this facing that was milled about five years ago and replanted in Corsicans. The trees are growing well considering it is perhaps the hardest block we have trees growing in.
24			Spoke with Rob Allan re phone call from Garth Nixon about notice from ECAN re rabbits around Tekapo. Will look at poisoning when there is no grass around in winter.

27	1		Spoke to Terry and Paul about steps that need to be taken before milling can start at Simons Hill I need warning to consult with landowners and get contractors to put in a culvert. It will not be a job to be done at the last minute because of the work required and remoteness of the location. Asked Terry for upgrade on carbon credits for Paul.
28			Spoke with Kurt Crisp to clarify trees to be pruned in conjunction with thinning at Cabuie. Gave the okay to prune both sides of the creek where it goes through trees. Will be a total of around 500 trees pruned. This is a few more than planned to prune on the 19 th April.
TOTALS	16	81	

Kevin O'Neill's Time & Travel Log May 2016

May 2016	Hrs	Kms	Details
1	1.5		Wrote up March Forestry Report.
4	1		Wayne rang about people we may consult with for forming or extending a wilding tree policy. I rang Don McConchie and Terry O'Neill on gaining further information.
13	5	37	Wayne, Don and Kevin had conference call with Terry on the development of a Council or Forestry Board wilding tree policy. Don and I then did last two plots 3 and 6 of thinned trees at Cabuie. Diameter ranged from 16 to 22.2cm. Height 11.6-13.25 metres in height. The end of thinning for year ended June 2016. Sent results to Terry.
18	2.5	48	Received a request from Hamish Orbell to look at trees on roadside boundary and near powerlines. They need to come out and do we have any interest in them. Obtained Council maps and met Hamish on site. Reported back to Nathan Hole who will reply by email to Hamish that we have no interest in the trees.
30	0.5		Spent time following up on a bill sent to Council for thinning from Kurt Crisp. Got a copy faxed as no trace of it can be found.
TOTALS	10.5	85	

MDC Carbon Credits - August 2016

August 2016

1. Introduction

Mackenzie District Council's has just over half of its forest estate (568ha) registered in the Emissions Trading Scheme (ETS). After some initial sales of carbon credits in 2010 and 2011 the carbon markets drop dramatically. Over the last year the carbon price has recovered to point where the sale of carbon credits needs to be considered again.

Recommendation: Council should sell a portion of its carbon credits while credits remain \$18/unit or over.

2. Forestry & Carbon Credits

The New Zealand's Emissions Trading Scheme (ETS) commenced in 2008 with forestry being one of the first participants. Soon after this the Council decided to register its post 1989 forests in the scheme, these forests included Woods on the Clayton Road, Cabuie on Ashwick Flat Rd, Fox Peak at Plantation Rd and a smaller area at Simons Hill in the Mackenzie Basin. Initially carbon prices increased to a level that had the Council selling its first credits for approximately \$18/unit. The following year prices continued to increase and the next lot of credits sold for over \$21/unit and the Council was looking forward to continuing carbon credit sales. The NZ carbon market however would crash with the GFC taking the heat out of European carbon markets and cheap ERU's flooding the New Zealand market.

The New Zealand ETS ended up going from a peak of over \$23/unit to less than a dollar in 2013. The use of cheap European ERU's and a virtual collapse of the NZ carbon market forced the governments hand to make changes and maintain the viability of the NZ ETS. The eventual change saw the end of ERU's being used for meeting carbon liabilities, this lead to a recovery in the price for NZU's which started 12 months ago. Further gains were guaranteed when the government removed the 2 for 1 subsidy for many of the emitters. This has seen the carbon price recover to reach over \$18/unit with the current spot price being \$18.00/NZU. With the purchase of cheap overseas units stopped there does not seem to be any reason for the ETS to fall away again, maybe now the Council can look forward to consistent income from its carbon credits.

Currently Mackenzie District Council has 113825 NZU's which as at 24 August 2016 were worth \$18/NZU. Net value therefore \$2,048,850. With this recovery in carbon prices it is recommended that the Council should sell some of these units.

Terry O'Neill

DISTRICT FORESTER