



**Press Release, 15 June 2010**

## **Denmark makes purchase of New Zealand Forest Carbon Credits**

The Danish Energy Agency (DEA) recently concluded an agreement to purchase forest carbon credits from nine Permanent Forest Sink Initiative (PFSI) projects located across both the North and South Islands of New Zealand totalling 1700ha.

The deal was facilitated by Permanent Forests International (PFI), a New Zealand based company that specialises in long term carbon forests. Director Mark Belton said it was pleasing to be able to achieve this groundbreaking agreement with Denmark because they are one of the most discerning buyers of project based carbon credits. Denmark applies stringent environmental standards in assessing carbon projects and requires that carbon credits are real, verifiable, additional and permanent (at a project level).

Mr Belton says this transaction represents a number of firsts. It is the first time Denmark has purchased carbon credits from forest projects and the first time it has purchased credits outside the Kyoto Protocol CDM/JI mechanisms. It is also the first time an EU Member state has purchased forestry credits from a developed country. While the EU ETS does not accept forestry credits EU Members can use them to meet Kyoto Protocol emission obligations.

“It is a huge affirmation of our Government’s PFSI mechanism and the integrity of the participating PFSI projects that they possess the right attributes to pass Denmark’s high standards of due diligence” Belton says.

A key feature of the PFSI is it requires forest cover to be maintained for a minimum of 99 years, in effect a forest conservation covenant, with maintenance of the forest as a carbon sink as the primary goal. Harvesting if it were to occur at all is only permitted on the basis of low intensity individual tree or small coupe removals. Clear felling is not allowed.

Belton says the PFSI is a leading legislative framework for ‘gold standard’ carbon forestry and is now gaining worldwide recognition. Belton believes the New Zealand Governments practical experience could be shared with other countries that may wish to develop effective carbon forestry mechanisms.

“A distinction of the PFSI mechanism is it enables remarkably efficient and low cost project registration, carbon measurement, and credit issuance compared with other international standards.”

The practical benefit of the PFSI’s low set up cost is that it can be commercially viable over very small project areas. This efficiency factor is critical because much of the

suitable land for conservation forest management for carbon both in New Zealand and overseas is in relatively small land ownerships. If carbon forestry is to realise its enormous potential globally it requires efficient delivery mechanisms. The PFSI is a working example of how this can be achieved.

Belton says that in the New Zealand context the PFSI has the potential to be a transformative mechanism by making conservation management more economic on land areas that are environmentally high risk and high cost. The key is to secure attractive levels of payment for carbon sequestration and other environmental services. Only then will landowners be positively incentivised to change landuse over these “at risk” areas within their properties.

Permanent Forests International has recently presented another aggregation of PFSI credits to New Zealand emitters and prospective overseas buyers. PFI expect to have an increasing supply of PFSI carbon credits into the future.

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