

Phone:
Your Ref:
Our File:

Submission No:16.....



22 March 2011

Dr Bill Pender

Inquiry Secretary

Standing Committee on Agriculture, Resources, Fisheries and Forestry

PO Box 6021 Parliament House,

Canberra ACT 2600

NEW INQUIRY- AUSTRALIAN FORESTRY INDUSTRY

Dear Sir,

Thank you for the invitation to provide a submission to the Committee's Inquiry.

Forestry Tasmania is pleased to provide the attached brief submission covering a number of issues which we believe should be addressed at the national level to provide a sound basis for a healthy and growing forest sector, able to continue its contribution to the environmental, social and economic well-being of the Australian community.

We would be pleased to meet with the committee and provide further detail on our submission. We would also be pleased to provide the committee an opportunity to visit our Tasmania forest operations and see firsthand relevant facets that might further strengthen the committee's appreciation of the issues.

Yours Sincerely

A handwritten signature in black ink, appearing to read "Bob Gordon".

Bob Gordon

Managing Director



Submission to the Standing Committee on Agriculture, Resources, Fisheries and Forestry

Forestry Tasmania

March, 2011

Introduction

Forestry Tasmania is a Government Business Enterprise which manages 1.5m hectares of Tasmanian State forests for multiple purposes under the authority of the Forestry Act. These lands contain approximately 39 percent of Tasmania's forests. Just under half of state forest is available for wood production, with the rest set aside for conservation and recreation.

Forestry Tasmania employs 450 staff and around 1000 contractors, supplying 3 million tonnes of hardwood and softwood products to Tasmanian customers for processing into sawn timber, rotary peeled veneer and pulp and paper products.

Overview

It is in Australia's national interest for there to be a strong, vibrant, innovative and forward thinking forest industry, based on a mix of managed natural and plantation forests, fully supported by a pragmatic environmental movement that recognises the inherent value in using a renewable resource for energy, shelter and clothing.

Australia's annual trade deficit in timber products has already ballooned past the \$2 billion mark, and is forecast to rise at an even faster rate as timber demand outstrips supply.

There are two main contributing factors to the stagnation and indeed contraction of the domestic forest sector. The first is the simplistic and ridiculous notion that cutting a tree down is bad for the environment, and the second is the slow pace of innovation, resulting from under-investment and industry inertia which has prevented the forest industry from moving away from commoditised exports into value added products that meet emerging market opportunities and consumer needs. In the national interest, the industry, with government encouragement and sensible policy settings must look beyond traditional sawmilling and woodchips and superseded environmental battle lines.

The rest of the world is moving on. Australia, dogged by ideological warfare, intransigence and limited vision stagnates.

The Standing Committee Inquiry comes at an opportune moment. The National Forest Policy Statement is almost two decades old, and needs to be replaced with a new policy framework that embraces concepts such as climate change that have emerged since the statement was agreed in 1992.

The Regional Forest Agreement program was rolled out around Australia during the late 90s, and over the next decade these agreements will come up for renewal. It is imperative that the Commonwealth Government start to put into place the mechanisms for a smooth extension and renewal of these Agreements to provide stability and certainty to future investment. This needs to be initiated immediately as the remaining terms of these agreements are already less than the periods required for consideration of many industry investments.

Opportunities for and constraints upon production

Wood from sustainably managed native forest remains the most environmentally benign source of raw material for a wide range of building, communication, energy and other needs. In future, environmentally enlightened consumers might be expected to pay more for timber and wood products from organic, chemical free natural forests, but supplies will be limited.

Therefore it is logical to maintain a strong focus and culture of management of some of our natural forests for sustainable forest production. This will increasingly focus on the management of the significant areas of regrowth forests which have resulted from the last 100 years of harvesting and regeneration, and manifestly can be maintained without detriment to biodiversity and environmental values. It is vital that Australia maintains its skills and expertise in sustainable forestry, where it has achieved a position of leadership in the world.

For Australia to meet its global responsibility to grow its own timber, rather than buy from an over the horizon, out of sight country, it will nevertheless need to develop supplementary sources of timber to augment natural forest production. Most plantations, established through managed investment schemes are grown over 12 year rotations for pulp wood. Policy settings therefore need to be adjusted to encourage growers to leave the trees in the ground for 20 to 25 years to grow sawlogs and other larger dimension logs suitable for a wide range of solid wood processes.

Forestry Tasmania also sees further benefit in emulating the “Lonely Trees” silvicultural regimes in South America. Under the lonely trees regime, plantations are less densely populated, enabling the trees to grow fatter, quicker. These trees are grown for higher value solid wood products such as sawn timber and rotary peeled veneers, by pruning the trees at young ages and the wider spacing means the internal stresses within eucalypts is reduced, making them more suitable for such processing.

Opportunities for diversification, value adding and product innovation

The processing sector offers the greatest opportunity for addressing the trade imbalance – but it requires a marked change of thinking away from traditional sawn timber or woodchips.

Eucalypts, with their high strength rating, are an ideal resource for engineered products.

Forestry Tasmania has been working for nearly ten years developing the market for Tasmanian eucalypts in China’s high-strength, high-price veneer market. We have achieved

investment by Ta Ann, a Malaysian based company in two rotary veneer plants in Tasmania, and they are now considering adding a plywood mill to one of those veneer mills.

Forestry Tasmania is also involved in a feasibility study into a further rotary peeled veneer mill at Scottsdale in Tasmania's north east. The focus here is on smaller regrowth and plantation eucalypt logs from thinning using small-scale Chinese technological approaches.

FT is monitoring research work by Europeans and North Americans into substituting tilt slab concrete walls with cross laminated lumber slab walls. Laminated lumber is lighter and has the benefit of capturing a huge amount of CO₂, unlike concrete, which emits CO₂.

In earthquake prone areas, governments are recognising the benefits of timber buildings including high rise, which are less prone to collapse than those constructed of steel or concrete. In Europe and Japan, eight to ten story buildings have been made from timber. Instead of tilt slab concrete walls, these buildings are built from tilt slab cross laminated lumber.

In Melbourne, the Grollo family made headlines with its plans to build Australia's first high rise building from timber. According to the Age newspaper, the \$100m building will be made from panels imported from Europe and fitted together to make 50 apartments over 10 storeys. The building will be carbon neutral, because timber stores carbon, concrete emits carbon.

While it is unfortunate that the wood panels have to be imported from Europe, it may well be the building that changes Australia's mindset, and encourages architects to create the demand necessary to establish a cross laminated lumber manufacturing facility in Australia. Interestingly, the energy for the Grollo building will be powered by waste woodchips.

Around the world, demand for rayon is growing. Forestry Tasmania has already sent a shipment of woodchips to China for dissolving pulp used to manufacture rayon. Tasmanian blue gums are the feedstock for similar mills in India. Given the extent of the resource in Australia, the economics of establishing a rayon manufacturing plant in Tasmania should be explored through larger-scale production trials and feasibility studies.

Ironically perhaps, rayon is used to manufacture garments favoured by bushwalkers.

In a national context where the maintenance and support of rural and regional communities has surfaced as a major concern, forestry provides one of the more attractive and viable opportunities. Over the last decade Forestry Tasmania has demonstrated this through its Southwood Huon Wood Centre. This Centre has attracted investment in infrastructure, energy, sawmilling and peeling mills, and together with nearby investments in forest tourism, has led to a renewal of the Huon Valley economy. Prior to these developments the Huon experienced among the nation's highest rates of unemployment, particularly among youth, with a depressed real estate market. The last decade has seen a reversal of this trend, mainly resulting from these investments in the forest sector.

Environmental Impacts of Forestry

Forestry and agriculture can co-exist. Forestry Tasmania has developed a Trees on Farms program, which encourages farmers to integrate tree growing into their farm management plans.

Rather than broad acre plantations, Trees on Farms encourages land owners to partner FT in planting trees on gorse infested land, or land that would otherwise be unproductive. The program has numerous benefits. It provides a timber resource to FT, it provides a revenue stream for farmers, it stores carbon and can be used as a carbon offset and in some cases can be used as habitat for threatened species such as the swift parrot.

Research by the CSIRO estimates that planting trees on up to nine million hectares of agricultural land across the country, has the potential to abate about a quarter of Australia's total emissions.

While Trees on Farms is still in its infancy, 300 hectares have already been planted under the program.

However further investment at any scale is unlikely to occur unless there are strong drivers and incentives in Government policy. In particular it will be vital that such programs are able to benefit from the Government's Carbon Farming Initiative. Unfortunately the current unnecessarily narrow requirements for financial additionality will likely restrict access to this program. It is Forestry Tasmania's strong belief that this requirement should be reconsidered if the carbon farming initiative is to become more than a significant contribution to carbon sequestration.

Creating a better business environment: Research and Education

Research and development assistance is essential for timber growers and processors to move beyond the traditional sawlog or pulpwood mind set. CRC Forestry has already made a significant contribution to innovation, by undertaking research that is highly relevant to both growers and processors.

If Australia is to grow the right trees and to make wise choices about value adding opportunities, it is critical that CRC Forestry is extended for a further period and is adequately funded. The current term of the CRC finishes in June 2012. Funding for a further five year period is open for competitive bid, and it is vital to the future of the forest sector that this bid is successful. Current CRC rules indicate that no further extension beyond that will be available, and governments must give serious consideration to the research and development needs beyond that period. Australia has witnessed significant declines in forestry research over the past two decades, to the detriment of the sector. The committee is urged to give serious consideration to the implication of allowing this trend to continue, and what policy settings are required to achieve a reversal.

Forestry Tasmania is particularly concerned at the loss over recent decades in the more applied end of the research spectrum. This research has concentrated in state-owned forestry businesses such as Forestry Tasmania, many of whom have either entirely shed, or severely reduced their capacity under increasingly stringent financial imperatives. The Australian forest sector is currently drawing down its capital of skill and expertise in this area. Where will the new solutions for tomorrow's challenges come from?

A related concern is professional forest education. There is a pressing need for government to consider policy settings which will enhance the recruitment of students into professional forest education. At the current rates of recruitment and training, Australia will be importing its next generation of foresters from China, where numerous universities are dedicated to forestry education, each catering to tens of thousands of students. When the current generation of forest silvicultural and mensuration experts retire it is difficult to see from where in Australia their successors will be recruited.

Likewise, investment in public education about the benefits of sustainable forestry to the world's future has long been talked about, but rarely funded. The National Forest Policy Statement and subsequent RFAs around the nation identified the need for ongoing forest education, however little if any effective funding has been made available.

Organisations that contribute trusted education programs to schools should be supported. The leading forest industry educational organisation in the country is the Forest Education Foundation based in Hobart. The curriculum based educational resource developed by FEF is first class, and if adequately funded, could be rolled out in other states.

Potential Energy Production and carbon sequestration

Australia lags the rest of the world in biomass. In Tasmania, picking up very low grade wood that would otherwise be burnt on the forest floor, and using it to produce energy has the potential to reduce smoke emissions from regeneration burns by up to 70 per cent.

Equivalent technology is used throughout Europe and North America, where wood fired power stations are widely accepted in the community as preferable to fossil fuels.

In Europe the World Wildlife Fund is campaigning to have 15 percent of the OECD's energy needs met by biomass.

With rising electricity prices, the economic opportunity to manufacture pellets for domestic use and export increases. Sawmills generate considerable quantities of sawdust, which can be converted to fuels for wood heaters.

The carbon sequestration benefits of managed forests are widely acknowledged. However, the benefits of using timber over energy intensive materials like steel and concrete has not been adequately recognised in Green Building Standards. Strong leadership by governments is required to overturn the perception held by some in the community that we shouldn't cut down trees to build homes. In some jurisdictions, progressive governments who acknowledge the climate change benefits of timber buildings are mandating the use of timber in the

construction of public buildings, or at least, as in New Zealand, mandating the consideration of a timber option. Unless there is leadership at a political level to have the climate change benefits of timber recognised in procurement policies, and even through legislation, the perception that using carbon intensive materials like concrete is better for the planet than timber will persist.

The Carbon Farming Initiative is a positive move in supporting afforestation for carbon sequestration. However, to be effective more needs to be done to address the narrow focus on financial additionality which threatens to critically limit its effectiveness. Forestry supports the submissions made by NAFI and A3P in this regard. A copy of FTs own submission is also attached for the committee's information.

Forest Certification

Forestry Tasmania is a strong supporter of forest certification and has been an early adopter, having achieved certification under the Australian Forestry Standard AS4708 in 2003.

Virtually all of Australia's significant forest production capacity is certified to the Australian Forestry Standard, including all publicly owned natural and plantation State forests, and most industrial private plantations. This places Australia in a strong position in being able to provide assured supply of certified wood products to a wide range of domestic and export markets, avoiding to a large degree the complexities experienced in many markets with the need to segregate certified and uncertified inputs.

The accreditation of the AFS by PEFC, the international program for endorsement of forest certification, allows Australian growers and processors to extend this benefit to international markets. PEFC is the world's largest certification system, and the PEFC brand is recognised and accepted in all of the world's major wood product markets.

The Australian Forestry Standard is the only Australian Standard, recognised and promulgated by Standards Australia, for forestry in Australia. Other certification schemes are promoted and used in Australia, however do not benefit from the governance oversight of Australia's official standards setting regulatory bodies and mechanisms, which are part of the international standards framework.

Australia's strong position in respect to forest certification is weakened by inappropriate discrimination in some areas. It is not unusual for green procurement or buying guides, and associated systems to only accept, or give preference to, timber certified by alternative schemes. Until recently this was the case under the Green Building Council's scheme.

It is appropriate that governments give more recognition and support to Australia's own, and only, official forestry standard, and ensure that government programs do not directly or indirectly support inappropriate discrimination in the market. Rather, governments should seek to enhance the competitive advantage that Australia has achieved through a consistent and deep penetration of Australia's official certification through the wood supply chain.



Submission

Design of the Carbon Farming Initiative

Overview

Forestry Tasmania (FT) is a Government Business Enterprise (GBE) with responsibilities for managing 1.5 million hectares of State forest. Forest management is conducted in accordance with the various forestry related Acts. FT provides forest products and services for local, national and international customers and aims to be an internationally competitive forest land manager with operations based on sustainable, multiple-use forest management principles.

FT also has an active project called Trees on Farms, by which FT encourages and supports farmers to establish currently non-viable areas to timber plantations.

FT supports the intent of the CFI and provides recommendations that would enhance and increase participation and opportunities for bio-sequestration. In particular, this submission identifies the importance of including commercial forestry plantations in the CFI.

Contact Details

Name of Organisation:	Forestry Tasmania
Name of Author:	Hans Drielsma
Phone Number:	03 6235 8181
email:	hans.drielsma@forestrytas.com.au
Website:	www.forestrytas.com.au
Date:	4 February 2011

Confidentiality

All submissions will be treated as public documents, unless the author of the submission clearly indicates the contrary by marking all or part of the submission as “confidential”. Public submissions may be published in full on the Department of Climate Change and Energy Efficiency website, including any personal information of authors and/or other third parties contained in the submission. If any part of the submission should be treated as confidential then please provide two versions of the submission, one with the confidential information removed for publication.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

Do you want this submission to be treated as confidential? Yes No

Submission Instructions

Submissions should be made by **close of business 21 January 2011**. The Department reserves the right not to consider late submissions.

Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text based formats, via the email address – CFI@climatechange.gov.au.

Submissions may alternatively be sent to the postal address below to arrive by the due date.

Emerging Policy Section, Land Division
Department of Climate Change and Energy Efficiency
GPO Box 854
CANBERRA ACT 2601

Scheme design principles

While it is correct to ensure that all that are eligible have a chance to apply for participation in the Scheme, this needs to be balanced with the ability to effectively manage the Scheme. By having too broad a participation both in geographic area as well as activities, the project could get too cumbersome to manage and will lose focus.

Smaller participants should ideally fall under group schemes, where they are managed collectively and grouped together because of common area and activity. Maximising the involvement of smaller participants will likely require a range of joint venture and other innovative arrangements.

Including the group schemes, participants should be large enough to facilitate:

- i. efficient management;
- ii. efficient accounting and auditing;
- iii. marketable aggregates of carbon credits;
- iv. the ability to accommodate allowances for growth losses due to seasonal or local adverse conditions (e.g. fire); and
- v. cost effective participation for small participants utilising shared resources.

The verification process of the “carbon credits” needs to be understood early on in the process, hopefully minimising ill-considered or speculative investment.

Scheme coverage

Plantation forestry

If the desire is to sequester carbon for the good of the planet, then normal commercial forestry plantations should be included and the products derived from these plantations should also be included, using widely accepted averages of carbon stored in harvested wood products.

Schemes that encourage farmers to plant areas of their land, which are suboptimal to their current land use to trees should be included regardless of the commercial integrity of the forestry activity. All plantation forestry should be encouraged by the CFI, regardless of the purpose for which planting occurs. Although plantations for non-commercial primary objectives can include some normal commercial objectives, they would not have been established without the promotion and support of the scheme manager and are often less viable than other options available to scheme managers.

While the CFI might not be the sole reason for pursuing this activity, the contribution that funds arising from participation in the CFI provides, will assist the decision making process by scheme managers and by land owners.

Forestry Tasmania’s own experience with the Trees on Farms program is important and provides guidance on CFI scheme design.

Trees on Farms is intended to deliver multiple outcomes. These typically include:

- noxious weed management;
- biodiversity enhancement;
- production timber growth;
- income diversification for farmers;
- soil productivity and carbon sequestration improvement; and

- carbon sequestration in standing timber and through harvested wood products.

Our modelling demonstrates that, even on the most productive land, the range of management needs and associated costs associated with these on farm activities is greater than income received from “carbon credits” and improved productivity, unless the value of harvested timber is included.

However, when the value of harvested timber is included with carbon credits in the income streams, modelling demonstrates that:

- less productive land remains generally income negative; and
- more productive land can in many cases become income positive.

This modelling demonstrates that plantation establishment on any land on farm will only be income positive for land owners and for scheme managers where the income from harvested timber is included or where the costs of noxious plant eradication and / or plantings are funded by government.¹

The example of Forestry Tasmania’s Trees on Farms program also provides guidance on the important role of aggregators. It is unlikely that many individual land owners would establish plantations on income negative lands, even with the important co-benefits outlined above. However, areas of income negative plantings can be far more easily accommodated into an aggregated program.

Equally important consideration should be given to that fact that land suitable for commercial plantation forestry will result in higher carbon sequestration, notwithstanding the fact that the eventual plan is to harvest them. Conversely, areas that are not commercially viable are ipso facto poor growing sites and result in relatively low carbon sequestration.

The nett result over several rotations of plantings on commercially viable land, including the timber products that maintain the carbon store, is a maximised and increasing and ongoing carbon store. This could have a better result than a “never to be harvested” plantation that stagnates and, as trees die, eventually releases (rather than stores) carbon.

Participation by plantations should be deemed to meet the general requirements for sustainable forest management where the plantations are certified by an independent and internationally recognised forest certification system such as the Australian Forest Standard which is recognised internationally by the Program for Endorsement of Forest Certification (PEFC).

We are also of the opinion that the CFI should follow the Greenhouse Gas Reduction Scheme (GGAS), which only requires that the activity delivers net sequestration.

Native forests

Consideration should also be given include initiatives under the Scheme that will encourage landowners to manage native forests for enhanced carbon sequestration.

Integrity standards

There is a relatively low understanding of the principles of forest investment and forest management, let alone of carbon sequestration and carbon trading, within the general community. On this basis, some guidelines for ethical behaviour in this “market” may be worthwhile.

Standards for participation must draw the balance between the need for transparency and the need for a manageable level of administrative obligations. An onerous regulatory process will be a cost burden and a disincentive for participation.

¹ Forestry Tasmania would welcome the opportunity to share with the Australian Government its experiences and modelling associated with the Trees on Farms program.

Additionality

It would be difficult to justify, far less cover the costs of, afforestation projects based solely on the revenue received from the CFI. While the CFI could contribute to the decision making process, there would need to be other sources of revenue. Normally, this would be from the eventual harvesting of the plantation. Requiring that the project must be solely because of the CFI would exclude and discourage many beneficial activities that would result in significant long term carbon storage.

Projects that are commercially viable and that have a positive result for the investor stand a far greater chance of enduring for the long run. This would have far greater benefits than a project that becomes a burden after a short while and leaves investors searching for “exit loopholes” well before the expiry of the relevant agreement.

Permanence

Treatment of this issue is an important element of the CFI, with strong implications for the success or otherwise of the Scheme, and must be approached with due care. Forestry Tasmania is aware that various approaches to this issue have been applied elsewhere, or have been proposed by relevant forest industry associations, and all should be considered. Any approach that is too restrictive represents a risk to the success of the Scheme.

Scheme processes

Project approval

A basic set of requirements or checklist needs to be available, to give a potential participant an accurate assessment as to whether they qualify, before investing too much time or money.

Crediting periods

No comment.

Reporting

Reporting requirements ought not represent a significant cost, particularly for small independent investors.

Crediting

The rolling average, based on proven growth and yield models as well as on the ongoing work looking at the carbon storage in wood and paper products, allows for commercial rotations of plantations. As discussed above, the other issues surrounding commercial plantations needs to be identified and resolved so as to not exclude a potentially large source of long term carbon storage.

Transfer or termination of projects

No comment.

Any additional comments

The intention of the CFI should not be lost, it is to increase the amount of carbon stored in order to mitigate the effect of climate change. If one of the most effective ways to do this is to increase the area under commercial plantations, then these should be encouraged and their benefits acknowledged. Multi rotation carbon storage, as well as the long term carbon storage in wood products, needs to be included.

Schemes that encourage and assist landowners to plant up part of their land, not only increase the potential scope of carbon storage, but also puts those stores in the hands of individual people. This decreases the risk of the carbon storage being lost due to financial collapse of bigger investment schemes. However, as we have noted above, even though individual land owners may be directly involved and separately participating, the role of scheme managers and / or aggregators is important for addressing cost and averaging and smoothing considerations.

Native forest management should also not be excluded. The long term carbon store in sustainably managed native forests is vast.

Accurate measurement of above ground biomass is achievable through modern technology such as LiDAR. Above ground biomass is one of the easiest areas of carbon storage to measure and monitor, can be reliably correlated with below ground biomass and should be the focal point to keep things simple and cost effective.

In relation to Scheme processes FT considers it essential to the integrity of the Scheme that effective structures and legal underpinnings for broad participation of indigenous held land be incorporated into the Scheme prior to its implementation. Failure to resolve the legal uncertainties currently outlined in the Consultation Paper on eligibility of indigenous lands has the potential to impair the creditability of the Scheme and to disadvantage Aboriginal and Torres Strait Islanders.

Indigenous lands cover a large part of Australia. Much of it is degraded and abandoned grazing land that could store large volumes of carbon in both vegetation and soils. In addition, there are opportunities for sustainable management of forests on indigenous lands, generating livelihood opportunities for indigenous communities. The Consultation Paper has not given sufficient emphasis to the significance of this issue.

Issues impeding the broad participation of Aboriginal and Torres Strait Islanders in the Scheme need to be resolved with the highest priority.