

JOINT STANDING COMMITTEE ON TREATIES

INQUIRY INTO THE KYOTO PROTOCOL

**Response from the Pulp and Paper Manufacturers Federation of Australia* –
(PPMFA) 20 Sep 2000**

Points here address the terms of reference (T of R) noted.

T of R: *The Treaties Committee shall inquire into and report on whether ratification of the Kyoto Protocol on climate change is in Australia's national interest.*

The Committee will examine:

- *The implications for Australia of proceeding or not proceeding to ratify the Kyoto Protocol and meeting its target emissions levels by 2008 with regard to anticipated and/or predicted economic, environmental and social outcomes both nationally and in specific regional areas.*

International trade is a big part of the Australian economy and the pulp and paper industry. The PPMFA is concerned that unilateral ratification of the Kyoto Protocol (KP) and consequent greenhouse gas abatement action ahead of our major trading partners is likely to put many of our products at a competitive trade disadvantage until equalisation measures can be made effective.

There is a risk that if the KP is not ratified and does not come into effect, it is likely to be replaced by another international instrument and an emission reduction target for Australia which together will be more onerous than the present KP. The KP as it presently stands is likely to cause some cut in Australia's GDP (see numerous ABARE studies) but more onerous emission reduction measures will be more economically and socially painful.

The greenhouse and climate change issue is of growing importance and the KP, with its potential agreements for subsequent commitment periods, is likely to impose effective and harmful sanctions on non-complying countries.

T of R: *The Committee will examine the veracity of conflicting current scientific theories on global warming and any solutions proposed for it.*

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The PPMFA believes that there is little point in debating the science at this stage. The reports of the International Panel on Climate Change synthesise the current assessments of the world's experts in their respective specialties. The science is sufficiently clear to indicate that the current and predicted global emissions of greenhouse gases are producing an inexorable, human-induced change in climatic conditions with many potential serious consequences which seem to outweigh some predicted benefits (for example improved crop yields in some circumstances). It would be unwise to defer appropriate abatement actions now simply on the basis of continuing to question the science.

However, the PPMFA supports continuing assessment of the science and climate forecasts. If, in the most unlikely case, future studies show the greenhouse and climate change situation has been overstated, relatively little expense (compared to the impact of the most likely outcomes) will have been wasted if the forward path is well managed.

T of R: *The Committee will examine the economic, environmental and social implications of a punitive approach to any domestic regulation of industry including such proposals as a carbon tax and an incentive-based approach.*

The AGO's four discussion papers last year were helpful and made it clear that economic measures, were most likely to allow effective, efficient and fair means to reduce greenhouse gas emissions. Such measures could be domestic and/or international tradeable emission permits or perhaps a domestic carbon tax¹. Both these measures allow for 'least pain' reductions in greenhouse emissions and are arguably the fairest way of ensuring that all emitters of greenhouse gases pay equally per quantum of impact.

However the Pulp and Paper Manufacturers Federation of Australia has not taken a definitive view on what might be the most appropriate economic measure.

Whichever economic instrument is used to manage emissions the instrument should;-

- apply to all greenhouse gas emissions (not just CO₂) to spread the penalty fairly to all emitters and to lower the average unit penalty
- indicate future likely costs (to assist planning and investments)
- avoid sharp changes in costs and effects, and
- ensure that the massive revenues from the measures (similar amounts to current excise and royalties on fossil fuels) are used in a constructive, economic way, particularly to foster movement to a reduced carbon emitting (and other GHGs) economy.

¹ The Commonwealth's *Discussion Papers 1 to 4*, AGO 1999, give a valuable analysis of these complex issues, <http://www.greenhouse.gov.au/emissionstrading/paper.html>.

National Policy and Bipartisan approach needed

The PPMFA recommends that:-

- a bi-partisan approach should be taken to a "National Carbon Policy" to avoid major changes of direction on any change of government;
- a "National Carbon Policy" should be developed that recognises that greenhouse emissions are:
 - a whole-of-community issue and not just an industry issue
 - dictated by energy consumption and not just energy generation
- a "National Carbon Policy" should be an umbrella policy that covers immigration and population policy, transport, urban and regional development, energy (including non-fossil fuels, and the nuclear option), etc.;
- importantly, a "National Carbon Policy" should provide visions of Australia's future options and likely strategies for managing greenhouse issues, particularly to assist long-term planning.
- Government should ensure that the cost to the economy and its key sectors is understood and is acceptable before ratifying the Kyoto Protocol, and adopting any domestic policy;
- the focus must remain on the reduction of greenhouse gas emissions to the global atmosphere. Note that some instruments do not achieve this outcome, for example, introduction of measures that result in industries closing and going off-shore – so-called "carbon leakage";
- government develops equalisation instruments to counter the problem of competition from products, made without a carbon penalty in "non-Annex B countries", which compete unfairly in Australia against our products which will incur a carbon penalty;
- government address and overcome community opposition to biomass (and other waste) incinerators/gasifiers, particularly for electricity generation.

T of R: *The Committee will examine what definitions and criteria Australia should develop and actively pursue in its national interest with regard to:*

- *grandfathering,*
- *trading credits,*
- *carbon credits,*
- *sequestration,*
- *revegetation,*
- *land management, and*
- *definitions (eg "forest").*

Biomass issues are of great interest to the PPMFA because wood, the industry's primary feedstock, is a useful store for atmospheric carbon.

Land Clearing & definition of Forest

The pulp and paper industry is based on sustainable plantations. These are "greenhouse-neutral", that is a fixed area of replanted plantation forest neither emits nor absorbs carbon dioxide over the long term. Biomass itself is greenhouse-neutral; increasing biomass (establishing new, permanent forests) is a carbon sink (there is a net absorption of carbon dioxide from the atmosphere) whereas decreasing biomass (for example, land clearing) is a carbon emission (there is a net emission of carbon dioxide to the atmosphere). **The important factor overall is what changes the atmosphere sees.** This key fact must be observed when framing any definitions or protocols.

Land clearing was a significant part of Australia's 1990 base emission inventory at 15%. It is in Australia's benefit to utilise every means of emission abatement for the commitment period, 2008 – 2012. Appropriate economic measures will allow the least cost abatement means to be utilised wherever they may be. Reducing land clearing would seem to be such a low cost means of abatement. Accordingly, Australia should ensure that the LULUCF (Land Use, Land Use Change, & Forestry) protocols being developed at COP 6 should allow for the vegetation which we clear to be accounted for in the emissions for both 1990 and the commitment period.

Economic measures on 'wood products'

We note that Australia is taking a strong role in LULUCF matters. It is helpful and appropriate that the protocols allow for biomass to be accounted appropriately as a sink or store. We support the AGO's position on accounting which aims to extend to 'forests' beyond just 'Kyoto forests' (ie those planted after 1990). While such accounting seems reasonable for estimating quantities sequestered, the industry would not like to see onerous accounting protocols being mandated for most wood products, post harvest, particularly where compliance costs exceed the potential benefits. We have yet to determine our preferred model for biomass accounting so we ask at this stage that the Government is mindful that accounting practices for quantities of wood for the KP should not automatically be applied to economic measures applied to biomass.

It is vital that the implications of the various carbon accounting options (in both tonnes and dollars) for Australia and the potential financial implications are understood, and the best position advocated for Australia and its productive sectors.

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