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Mr Grant Harrison
Secretary
Joint Standing Committee on Treaties
Parliament House
CANBERRA ACT 2600

Dear Mr Harrison

Thank you for your letter of 31 July inviting a submission from this Association to the Inquiry into the Kyoto Protocol.

In relation to some of the terms of reference, we regret that we do not feel able to assist the committee. The implications of Australia proceeding or not proceeding to ratify the Kyoto Protocol may appear simple, for example, but we believe that the implications are difficult to judge until it is clearer who else will ratify the Protocol. There being no other instruments for concerted global action on climate change currently available to Australia, it would probably require very serious grounds for the Australian government not to ratify the Protocol, but we are not able to anticipate what might constitute such grounds. At the same time, we do not regard the Kyoto Protocol as a flawless document, and say more about this below.

In relation to conflicting current scientific theories on global warming, we do not have the scientific expertise to be able to do more than acknowledge that there are conflicting theories, there is uncertainty and some of this uncertainty has probably arisen from the successive revisions of forecasts generated by computer-based climate models. We have no easy means of assessing the adequacy of the climate modelling that has yielded these forecasts, although we are aware that when causal relationships are poorly understood, and empirical data is neither comprehensive nor wholly reliable, models of all kinds produce results that cannot be relied on. In this regard, we would consider that climate models suffer the same disabilities as economic models - they are invariably better at predicting past events than they are at predicting tomorrow.

There are two matters concerning the science of climate change which we would like to raise for the Committees' consideration. Firstly, we do not know whether the current consensus view, as reflected in the reports of the IPCC, reflects a full integration of available scientific expertise. We have seen suggestions, for example, that atmospheric scientists have largely dominated the debate about climate change, and that a lesser role has been played in the debate by scientific disciplines which are related to, but not central to, the measurement of global surface and atmospheric temperatures. Glaciologists, paleontologists, vulcanologists and experts on solar variation would possibly be amongst those whose views and knowledge is not fully reflected in the current consensus, if this hypothesis has justification. We have previously raised this question with the Australian Greenhouse Office, but have received no response.

The second issue concerning the science of climate change is in the nature of a question: if greenhouse science is good enough to identify an anthropogenic influence on the earth's climate, why is it apparently not good enough to identify the *underlying* direction of climate change if anthropogenic influences were to be factored out of the equation. In the absence of this data, it does not seem possible to know, for example, whether anthropogenic influences are re-inforcing a warming trend, or counter-acting a cooling trend. The absence of that knowledge, it seems to us, might tend to reduce the confidence that can be invested in the various prescriptions for urgent action that are on the table already, and are being added to steadily. We do not wish to identify ourselves as greenhouse sceptics. The forest industries have no vested interest in dissenting from the consensus view, being responsible for the oversight of carbon sequestration in growing trees, and the production of products useful to human societies which embody low fossil fuel energy use, and continue to store atmospheric carbon for varying periods of time. We do wonder however, why the *underlying* direction of climate change seems to have received so little interest or attention, when it appears to have the potential to require a re-examination of the desirability/undesirability of the anthropogenic influences that are the focus of global concern.

We have some observations to put before the Committee about how the current raft of global policy and proposed regulatory instruments impact on the forest industries, and are regarded by the industry.

The worlds' forests are part of the terrestrial carbon cycle involving transfers of carbon from the biosphere to the atmosphere and back again, the average duration of which might be, say, two hundred years. When a tree grows, reaches maturity and eventually dies, the carbon it has extracted from the atmosphere to construct its cells is re-emitted to the atmosphere as the dead wood succumbs to attack by micro organisms, termites, etc.

If the tree is harvested at or before maturity, most of it is turned into wood products that continue to store sequestered atmospheric carbon for varying lengths of time, depending on the nature of the wood product.

For some reason, (possibly convenience) the global scientific community decided at an early stage of the greenhouse debate, to treat harvested timber as representing an emission of all the CO₂ in the standing biomass harvested in the year after harvest. While harvesting does no more than bring forward the death of the tree, and convert it to products that serve humankind's needs rather than allow it to gradually decay in the

forest or on the forest floor, the scientific community has decided that fundamentally different accounting arrangements shall apply in each case. One, the death and decay of standing trees, attracts no interest. The other, harvest, is counted as an emission.

Despite these two different accounting treatments, it is arguable that the atmosphere sees no difference at all. Wood products do eventually decay, in the same manner that the trees from which they were produced would eventually decay. New trees grow where the old trees were harvested, just as new trees would eventually grow where the old trees died and fell over. Forestry therefore does not contribute to increased atmospheric concentrations of CO².

Land clearing or deforestation is clearly different, because the trees do not regrow, and the clearing of trees or other dense vegetation presumably does cause a "permanent" increase in atmospheric concentrations of CO².

The decision of the scientists brought together by the IPCC to treat the harvest of trees as a source of emissions has had a number of consequences, all of which we regard as unfortunate for the global community's efforts to achieve reductions in greenhouse gas emissions, and for the timber industry. The decision is embodied in the default methodology of the IPCC Revised 1996 Guidelines for the reporting of emissions by national governments. Those guidelines are cemented in place as the basis for reporting against the targets contained in the Kyoto Protocol, so they will not soon be revised. Amongst the consequences of what we regard as a completely perverse view of timber harvesting are the following:

- (i) it offers no opportunity to recognise the greenhouse benefits of sustainable forest management.
- (ii) it precludes the development of policy which recognises wood products as a continuing store of sequestered atmospheric carbon.
- (iii) it turns the notion of assigning credits for carbon sequestered in growing trees into a zero sum, because it requires that all credits be extinguished at harvest.
- (iv) it creates temptations for short-sighted claims to be made that forests should not be used for timber production, because harvested trees represent emissions which can be avoided by not harvesting the tree.
- (v) it complicates accounting for biofuels, because combustion of wood products might involve double counting - once at harvest and again at combustion.
- (vi) it treats wood as constituting a greenhouse problem of the same order as fossil fuels.
- (vii) it precludes recognition of wood products as greenhouse-preferred alternatives to materials whose production involves the consumption of significant amounts of fossil fuels - steel, aluminium and plastics.

We would like to assure the Committee that we have taken all available steps to bring these anomalies in the treatment of forestry and wood products to the attention of Australian and international authorities. We can report that we have been listened to, but that we have made no worthwhile progress in securing a more rational treatment of forest management or wood products.

There still seems to be a widespread expectation in government circles that the industry will rush out and plant tens of thousands of hectares of trees for the sake of carbon credits. We do not expect that this will happen. We think the industry has a sufficiently clear understanding of the way the rules have been written to appreciate

full well that carbon credits represent only an opportunity to expose itself to risk - the risk that any carbon credits it sells can be bought back at harvest for no more than the sum they generated in the first place. This is not an especially attractive commercial opportunity. A securities dealer would describe it as "arbitrage".

As an industry, we have some regrets about this situation, because what it means is that the greenhouse-friendly nature of what we do remains unappreciated and more importantly, unharnessed. Private capital does find its way into arbitrage, of course, but it is a highly specialised form of investment, and has no obvious affinity with tree growing or timber processing, both of which are more naturally associated with producing more modest returns on the investment of more patient capital.

On the whole, the industry we represent has a strong sense of being largely un-engaged in the greenhouse drama, as the benefits of what we do remain almost completely outside the spotlight of current policy.

To appreciate the extent of this lack of engagement, it is important to understand that the rapid expansion of the plantation industry currently taking place in Australia has no direct relationship to greenhouse, and is certainly not premised on the sale of carbon credits. It may, nevertheless, yield a greenhouse benefit for Australia because plantations established on cleared agricultural land since 1990 will be able to be counted by the Australian government towards its Kyoto target, offsetting emissions from land clearing, fossil fuels, etc. (Problems of an accounting nature still apply, however, and if they are not solved any credit for sequestration that occurs during the first commitment period will be greatly outweighed by the debit that will be incurred at harvest, which will reflect the trees' entire lifetime, not just the commitment period.)

In view of the inhospitable nature of the current policy and regulatory regime at the national and international levels as far as the forest industries are concerned, these plantations represent a significant benefaction from those industries to the government, given without encouragement or reward, and received largely without acknowledgement.

The afforestation provided for under the Kyoto Protocol is, of course, important as a measure for the abatement of greenhouse gases. It is, however, only a one-off benefit, and it pales by comparison with the potential for the forest estate to be treated as a *perpetual* source of greenhouse goods that serve humankind's needs at no cost to the atmosphere (or the environment).

Yours sincerely



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