

1 April 2011

Bill Pender
Secretary of the Committee
House Standing Committee on Agriculture, Resources, Fisheries and Forestry

By email: arff.reps@aph.gov.au

Dear Mr Pender

Re: Inquiry into the Australian forestry industry

The Clean Energy Council (CEC) is the peak body representing Australia's clean energy and energy efficiency industries.

Its priorities are to:

- create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies;
- develop effective legislation and regulation to reduce energy demand and improve its efficient use; and
- work to reduce costs and remove all other barriers to accessing clean energy.

The CEC works with members and the government to identify and address the barriers to efficient industry development in the stationary energy sector.

The clean energy industry and its members contribute to the generation of electricity using wind, hydro, solar, biomass, geothermal and ocean energy as well as the emerging technologies and service providers in the energy efficiency sector including solar hot water and cogeneration.

The CEC is pleased to comment on the Inquiry into the Australian forestry industry ('Inquiry') on potential energy production from the forestry sector.

General Comments

The Clean Energy Council believes that bioenergy production from woody residue and maintenance of environmental values can occur within the forestry industry at the same time.

This has been demonstrated by current forestry management where habitat, flora and fauna, water quality and waterways are preserved, fire threats are controlled and recreational value is maintained. This in turn has seen regional economies prosper, with timber industry employment being maintained and opportunities for biomass energy identified and deployed.

It is however important that unintended consequences from diverting more forestry product into bioenergy production are recognised. There is the possibility that climate policies may increase the value of wood as fuel which could adversely impact the established forest-products industry. This is a challenge for the policy makers in this complicated and interconnected sector of biomass residue to energy and forestry industry.

Potential energy production from the forestry sector

In order for energy production to be deployed at a larger scale by the forestry sector the definition for energy production from the Australian forestry industry needs to be addressed and clarified with similar arrangements to what is written in the Renewable Energy Target legislation.

The definition of wood waste in the renewable energy legislation has been attached as Appendix A.

The definition of wood residue and energy crops in the renewable energy target legislation outlines some of the constraints as what qualifies as biomass for renewable energy generation and thus eligibility to create renewable energy certificates.

The Clean Energy Council contends that if wood residue is recognised as a resource, wastes which would otherwise be burned for disposal could be diverted to energy/biochar. This should be recognised as a positive activity for value-adding in the forestry sector as well as contributing to climate mitigation and renewable energy production.

As is appropriate, the limitations outlined in the renewable energy legislation are entirely consistent with the principles of sustainability and the importance of protecting the native forests. However, it is noted that by focusing on the protection of native forests and the ecological management of plantation forests and crops, these regulations may create difficulty for bioenergy producers to be able to guarantee that the biomass they consume meets these regulations.

The reports; *Bioenergy Industry* prepared by Stephen Schuck and Associates Pty Ltd and *Bioenergy Barriers facing Australia* prepared by SKM MMA, both commissioned by the Clean Energy Council, identify the issues raised by woody residue users in documenting that the fuel they use from forestry sources meets the legislated requirements.

Anecdotal information has indicated examples where biomass from forestry has been burned, however not for the purposes of power generation. This is due to the interpretation and restrictions imposed by such legislation and regulations.

Recommendation

Address the knowledge gaps that exist in research, development, demonstration and the deployment of bioenergy generation. This would include knowledge gaps in the effective use of available biomass to reduce emissions while providing a sustainable solution for treatment of waste. A secure supply of biomass reduces the risks involved in bioenergy technology investment and can ultimately lead to the reduction in bioenergy technology costs.

Current and future prospects of the Australian forestry industry

In order to expand current and future prospects for the Australian forestry industry in bioenergy production, networks between suppliers and transporters need to be identified and developed to enable local sourcing of biomass.

SKM MMA in their report *Bioenergy Barriers facing Australia*, suggest that some work needs to be undertaken to improve the understanding of the use of woody residue. This may include simplifying the regulations so the energy released by natural processes can be captured through bioenergy technology.

Recommendation

Increase community and stakeholder understanding of bioenergy by developing marketing strategies which will support the acceptance and promote the benefits of bioenergy as a renewable energy generation resource. Additionally, this will assist in the investor's understanding of the technology risks in regards to marketing potential and access to the energy retail market.

For the full reports (*Bioenergy Industry* prepared by Stephen Schuck and Associates Pty Ltd and *Bioenergy Barriers facing Australia* prepared by SKM MMA) and the Clean Energy Council's supporting advocacy material, please visit removingbarriers.com.au

We look forward to continuing to work with the Standing Committee and the benefits that will arise from this Inquiry.

Yours sincerely

[Original Signed]

Russell Marsh
Policy Director

[Original Signed]

Nicole Nsair
Policy Analyst

APPENDIX A

8 Meaning of wood waste

(1) For section 17 of the Act, wood waste means:

- (a) biomass:
 - (i) produced from non-native environmental weed species; and
 - (ii) harvested for the control or eradication of the species, from a harvesting operation that is approved under relevant Commonwealth, State or Territory planning and approval processes; and
- (b) a manufactured wood product or a by-product from a manufacturing process¹; and
- (c) waste products from the construction of buildings or furniture, including timber off-cuts and timber from demolished buildings; and
- (d) sawmill residue; and
- (e) biomass from a native forest that meets all of the requirements in subregulation (2)

(2) Biomass from a native forest must be:

- (a) harvested primarily for a purpose other than biomass for energy production; and
- (b) either:
 - (i) a by-product or waste product of a harvesting operation, approved under relevant Commonwealth, State or Territory planning and approval processes, for which a high-value process is the primary purpose of the harvesting; or
 - (ii) a by-product (including thinnings and coppicing) of a harvesting operation that is carried out in accordance with ecologically sustainable forest management principles; and
- (c) either:
 - (i) if it is from an area where a regional forest agreement is in force — produced in accordance with any ecologically sustainable forest management principles required by the agreement; or
 - (ii) if it is from an area where no regional forest agreement is in force — produced from harvesting that is carried out in accordance with ecologically sustainable forest management principles that the Minister is satisfied are consistent with those required by a regional forest agreement.

(3) For subparagraph (2) (b) (i), the primary purpose of a harvesting operation is taken to be a high-value process only if the total financial value of the products of the high value process is higher than the financial value of other products of the harvesting operation.

¹ Examples for paragraph (b): Packing case, pallet, recycled timber, engineered wood product (including one manufactured by binding wood strands, wood particles, wood fibres or wood veneers with adhesives to form a composite).