

S:\Projects, R&D\Carbon Pollution Reduction Scheme

April 8, 2009

Senator The Hon Ron Boswell
Suite S1 – 44 Parliament House
CANBERRA ACT 2600

Dear Senator,

I thank you for the opportunity to place this submission before the Senate Select Committee on Climate Change Policy.

The Engineered Wood Products Association of Australasia Limited (EWPAA) represents Particleboard, Medium Density Fibreboard (MDF), Plywood and Laminated Veneer Lumber manufacturers in Australia, New Zealand, Fiji and Papua New Guinea. The Engineered Wood Products sector directly employs 6,000 people in Australia and it is estimated another 12,000 are indirectly employed.

The Engineered Wood Products sector while supporting the need for a sensible and economically sustainable move to a lower carbon economy has major concerns with the Federal Government's Carbon Pollution Reduction and Emission Trading Schemes (ETS) as they currently stand.

It is believed that the economic impact of this policy on the wood panel producing sector (particleboard and MDF) will be severe, to the point where the long term viability of the industry must be questioned.

Two issues of major concern are as follows:

1. The trade exposure of the wood panels sector

Financial modelling by the wood products sector estimates that the increase in manufacturing cost due to the ETS is in the range of \$6-\$12 per cubic metre (dependent upon the allocation of free carbon emission permits), or based on a production of 1,800,000 approximately \$10-21M per annum. This is totally unsustainable in the current economic climate and especially where competing products from countries without the cost burden of an ETS have free access to the Australian market.

Domestic panel manufacturers have seen aggressive competition from low cost manufacturing countries such as China and South America. This is despite the significant drop in the Australian dollar in recent months. Due to this competition, there is no opportunity to pass increased costs to consumers. The only foreseeable outcome from the ETS is decline in Australian competitiveness, production and a loss of Australian jobs.

While it could be acknowledged that the Federal Government has made some effort to address this issue for large polluters with the allocation of free carbon emission permits, there remains a large majority of the Australian manufacturing industry which will carry the full cost of the ETS with no free permits or opportunity to pass increased costs onto consumers.

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2. The effect of the ETS on availability and cost of wood waste / residue materials

A major concern of the wood panels sector is the impact on the cost and availability of wood waste materials. Approximately 75% of the feed stock for particleboard and MDF manufacturers is wood waste materials such as shavings, non-commercial plantation thinnings, sawdust, chip, etc. The majority of these materials are derived from sawmilling and other wood product manufacturing operations. There is no doubt that under the ETS wood product manufacturers will receive strong incentives to burn this waste for energy production rather than on-sell it for the manufacture of particleboard and MDF.

There is no doubt that the ETS will cause a dramatic increase in the cost of wood waste materials and a significant reduction in volumes available for particleboard and MDF manufacture.

It is well known that when the European equivalent of the proposed ETS was introduced, the cost of wood waste materials doubled in a short period of time. The result was the closure of at least one particleboard manufacturing operation. It is almost certain that without intervention or assistance from the Federal Government the ETS will have a similar impact on the Australian Wood Panel manufacturing industry. A doubling of the cost of wood waste materials will add at least \$60M per annum in cost to the wood panels industry and combined with the direct costs of the ETS will signal the end of particleboard and MDF manufacture in Australia and the 20,000 jobs which this industry supports.

I ask that you take these concerns in the serious manner in which they are voiced.

I am more than happy to appear before the Senate Committee to represent the Australian Wood Panels sector and to voice these concerns in person.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Simon Dorries', is written over a light blue circular stamp.

Simon Dorries
GENERAL MANAGER