

## **Submission to the Senate Economics Committee on the Renewable Energy (Electricity) Amendment Bill 2009 and a related bill**

The following comments relate primarily to provisions regarding the eligibility of native forest biomass as a feedstock for electricity generation. As currently applied it appears that only the waste from the production of woodchips from native forest hardwood logs is eligible. But the woodchipping itself is degrading our forests and is a misallocation of resources that could be better valued for their contribution to reducing emissions and adapting better to climate change. To facilitate the use of native forest 'waste' for electricity generation at this time would be foolish.

Since the global woodchip market has collapsed, and Australian native woodchip suppliers have cut back production and face an uncertain future, economic reasons support environmental reasons for change in native forest policies. And since our hardwood plantation producers are in dire financial straits, Australia has an opportunity to make changes to its forestry policies that integrate the now heightened value of native forests as carbon, water and biodiversity stores rather than as commercial wood producers, and the value of plantations for meeting the greater part of our domestic and export wood needs.

- The Expanded National Renewable Energy Target should exclude native forest biomass from eligible fuel status.
- Including biomass from native forests would encourage even greater deforestation and degradation of both publicly and privately owned forests.
- We know that native forests are our best land-based carbon sinks, and that emissions from current logging regimes are conservatively estimated at 7%. Even higher emissions would aggravate climate change and further threaten clean water supplies. They would make the emissions reductions task of the fossil fuel industries even harder.
- The carbon accounting system Australia has applied to native forests has been shown by the research of Professor Brendan Mackey and other ANU scientists grossly to underestimate the carbon values of native forests and the large gains possible in carbon sequestration if regrowth is allowed to reach its full carbon storage potential.
- Scientists are questioning whether Australia's reserve system does in fact provide comprehensive, adequate and representative ecosystem and species protection. If, as seems increasingly likely, that is the case, the impact of industrial logging on forest ecosystems becomes of greater concern.
- The forests available to industry are not a renewable resource under current logging regimes, an issue the Commonwealth Treasury has acknowledged. The logging and burning cycles are too short, the recovery rates too long, to maintain ecological integrity.
- The healthiest and most biodiverse forests are the most resilient and adaptable in the face of climate change. In South East Australia mixed species, multi-aged forests are not being replaced with the full range of species. What survive in the short term are often dominant fire-prone species and drier forests. We already have significant dieback, declining yields, degraded soils, silted up waterways and many plants, animals and organisms close to extinction over large areas. Yet the MRET regulations assume that the ecologically sustainable outcomes that current legislation requires are actually achieved.

- The interim report of the review of the Environment Protection and Biodiversity Conservation Act raises queries about the compatibility of the Regional Forest Agreement processes with that Act. In the absence of adequate official monitoring and reviews the interim report suggests it is an open question.
- The NSW Auditor General in a recent review of the operations of Forests NSW found that the agency had overcommitted its resources. It is struggling to meet contractual commitments, especially of sawlogs. He also found that the financial losses from its native forestry operations (approximately \$14 million in 2007-08) would continue to increase.
- Statistics obtained from Forests NSW under freedom of information give clear indications that the south east forests of NSW are unable to sustain the logging rates that were set under Regional Forest Agreements. Moreover real prices for pulplogs (over 90% of total log production in the Eden RFA area) have not increased for 15 years. Yields per hectare declined by approximately 25% from the late 1990s to 2006-07. The areas logged increased by 78 % between 2002-03 and 2006-07. (Further details can be provided.)
- In these circumstances allowing electricity and/or biofuels production from native forests would perpetuate the degradation of the State-managed forests to the further detriment of their function as invaluable carbon, water and biodiversity stores.
- Including native forest biomass as an eligible fuel source under the MRET in overriding national legislation would remove the current NSW and Victorian bans on the use of native forest materials for electricity generation. It would increase the financial incentives to over-log native forests that are already provided by Commonwealth and State subsidies to the native forest industry, because electricity production would be more profitable than woodchip production alone.
- Subsidies to native forest logging already provide unfair competition for the hardwood plantation sector which has costs that are not imposed on the State forestry agencies for their free use of a public resource. They will also distort investment decisions on alternative, genuinely renewable energy sources like solar, wind and geothermal and, possibly, appropriate crop-based feedstocks.
- There are now a number of proposals in several States for generating electricity from native forest materials. Faced with a glutted, collapsed global woodchip market, chipmills are looking to find other uses for the cheap, subsidised native forest woodchips that they can no longer sell, and looking to electricity production as a solution. Given the availability of supplies from financially strapped hardwood plantation producers, and the involvement of State forestry agencies in native forest supplies, this would be an ideal time for the Commonwealth to seek agreement with the States on restructuring the forestry industry and putting in place structural adjustment packages to underpin a total transition out of native forestry for the export woodchip market. It could be done at modest social and economic cost and with significant environmental gain. In SE NSW the employment is more like 540 persons (including Forests NSW staff) than the many thousands often bandied about by industry. There is also a need to reopen the contracts for sawlog supplies, certainly in NSW, given the findings of the NSW Auditor General.
- While Governments currently tend to favour market solutions over regulatory measures there are good arguments in favour of providing a regulatory solution to the economic and environmental problems in the native forest industry sector. Market forces are no match for the non-market behaviour of State forest agencies. There are now pressing

environmental problems that climate change makes all the more urgent, and regulatory changes could be achieved quickly.

- It is important to focus on the fossil fuel sectors and renewables like solar and wind power, but the task of reducing emissions and adapting to climate change is so difficult that it is foolish to ignore the enhanced contribution that new forest policies could make.
- Over the last two decades there have been big structural changes in the forestry industry overall – the development of hardwood plantations that could provide for the great proportion of Australia’s domestic and export timber needs, and certainly for the export woodchip market; the use of plantation timber as the basis for the processing sector; the significant shift out of hardwoods into softwoods and composites in the construction sector.
- Australia badly needs new forest policies that recognise that current logging regimes in native forests, and the policies that underpin them, are making climate change doubly worse, increasing emissions and reducing sequestration capacity, and that regrowth forest, like plantations, is also putting heavy demands on scarce water supplies. They are economically and ecologically unviable, and no basis for a sound electricity industry in the regions.

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